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COFCO INTERNATIONAL LIMITED
中國糧油國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 506)

ANNOUNCEMENT

**PROPOSED MAJOR AND CONNECTED TRANSACTION INVOLVING
ACQUISITION AND DISPOSAL OF ASSETS**

**PROPOSED SPIN-OFF AND SEPARATE LISTING OF CHINA AGRI-
INDUSTRIES LIMITED ON THE MAIN BOARD OF THE STOCK
EXCHANGE OF HONG KONG LIMITED**

CONTINUING CONNECTED TRANSACTIONS

SPECIAL DIVIDEND

**ADOPTION OF THE NEW SHARE OPTION SCHEME AND
ADJUSTMENT**

OF THE EXISTING SHARE OPTION SCHEME

**ADOPTION OF THE CHINA AGRI-INDUSTRIES LIMITED SHARE
OPTION SCHEME**

CHANGE OF COMPANY NAME

INCREASE OF AUTHORISED SHARE CAPITAL OF THE COMPANY

APPOINTMENT OF NEW EXECUTIVE DIRECTOR

SUMMARY

- On 8 October 2006, the Company entered into the Master Sale and Purchase Agreement with COFCO, COFCO (HK) and China Agri, pursuant to which the Group agreed to acquire from COFCO (HK) the entire issued share capital and shareholders' loans of each of Jumbo Team and Full Extent, respectively, subject to certain conditions. The consideration payable will be HK\$5,333.7 million consisting of (i) HK\$4,618.6 million to be satisfied by the issue and allotment of 879,739,382 Consideration Shares, all credited as fully paid, by the Company to COFCO (HK); and (ii) HK\$715.1 million to be satisfied by the transfer to COFCO (HK) of the entire issued share capital of each of Seabase International, COFCO 99 and First Reward, all being wholly owned subsidiaries of the Company.
- On 10 July 2006, the Company submitted a formal application to the Stock Exchange for approval for the Spin-off and on 6 October 2006, China Agri submitted an advance booking form for an application for the approval of the separate listing of, and permission to deal in, China Agri Shares on the main board of the Stock Exchange. Conditional upon the Spin-off occurring, China Agri will also seek to issue new China Agri Shares by way of the Global Offering, which will consist of the Public Offer and the International Placing.
- To effect the Spin-off, it is proposed that the Special Dividend be made to all Qualifying Shareholders. The Spin-off is conditional on, among other things, completion of the Reorganisation but not vice versa.
- The Company will enter into and maintain certain agreements in relation to the Continuing Connected Transactions which will be subject to, among other things, the connected transactions requirements under Chapter 14A of the Listing Rules.
- It is proposed that the New Share Option Scheme be adopted by the Company and the terms of exercise of the options under the Existing Share Option Scheme be adjusted. In connection with the spin-off, it is proposed that the China Agri Share Option Scheme be adopted by China Agri.
- It is proposed that the name of the Company be changed from "COFCO International Limited" in English and "中國糧油國際有限公司" in Chinese to "China Foods Limited" in English and "中國食品有限公司" in Chinese, respectively, subject to, among other things, a special resolution to approve the name change by the Shareholders at the SGM.

- It is proposed that the authorised share capital of the Company be increased from HK\$250,000,000 to HK\$400,000,000 by the creation of additional 1,500,000,000 Shares of nominal value HK\$0.10 each.
- The Board announces the appointment of Mr. Mak Chi Wing, William as an executive director of the Company effective from 6 October 2006.

DBS Asia Capital Limited has been engaged as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Master Sale and Purchase Agreement, certain Continuing Connected Transactions, the New Non-competition Deed and the termination of the Existing Non-competition Deed.

A circular providing, among other things, information on the Master Sale and Purchase Agreement, the Spin-off, the New Non-competition Deed, the termination of the Existing Non-competition Deed, the Continuing Connected Transactions, Special Dividend, adoption of the New Share Option Scheme and adjustment of the Existing Share Option Scheme, adoption of the China Agri Share Option Scheme, change of company name, increase of authorised share capital of the Company, re-election of director, management's discussion and analysis, a letter from the Independent Board Committee, a letter of advice from DBS Asia Capital Limited and a notice of the SGM will be despatched to Shareholders as soon as possible.

In addition, further announcements will be made to inform Shareholders of, as applicable, the Listing Date and the declaration of the Special Dividend, as required under the Listing Rules, and will issue a separate announcement in relation to the Special Dividend Record Date and the basis of distribution of the Special Dividend in due course.

Investors should note that the implementation of the Master Sale and Purchase Agreement by the Company, although not conditional upon the Spin-off occurring, is subject to certain other conditions, and also requires the approval of the Independent Shareholders. There is no assurance as to whether and when such conditions can be satisfied or such approval obtained.

Shareholders of the Company should also note that the Board may or may not proceed with the Spin-off which, although not conditional upon the Global Offering occurring, is conditional upon the implementation of the Master Sale and Purchase Agreement by the Company, and approval from the Stock Exchange for the listing of, and permission to deal in, China Agri Shares on the main board of the Stock Exchange. Further announcements will be made as and when appropriate in respect of any material developments relating to the Spin-off and/or the Global Offering. The Board emphasises that the specific terms and timing of the Spin-off and the Global Offering have yet to be finalised. Shareholders of the Company are therefore reminded to exercise caution when dealing in the securities of the Company.

All financial information set out in this announcement are unaudited combined results. Shareholders and prospective investors should therefore exercise extreme caution in interpreting the unaudited combined results of the Company, which may be subject to changes and may differ from the audited final results, and when dealing in Shares of the Company. Differences, if any, between the information herein and the audited final results as reflected in any subsequent circular or offering document provided to Shareholders and/or prospective investors will be highlighted in a separate public announcement.

1. INTRODUCTION

The Group's current business can be broadly categorised as (1) Food and Beverage Business comprising wines, confectionery products and Consumer-pack Edible Oil Business, (2) Agri-Industrial Business comprising oilseed processing, wheat processing and rice trading business, and (3) Non-core Business. As part of the Reorganisation, the Company has incorporated China Agri as its wholly owned subsidiary and operating company for the Group's Agri-Industrial Business. Pursuant to the Sale and Purchase Agreement, the Company agreed to transfer its Agri-Industrial Business to China Agri.

COFCO, the ultimate controlling shareholder of the Company, currently holds through its subsidiaries or associated companies certain lines of business which can be categorised as Food and Beverage Business and Agri-Industrial Business which are related to certain businesses of the Group. To delineate more clearly between the businesses conducted by COFCO and the Group, and to reduce potential conflicts of interest which may arise as each of COFCO's and the Group's businesses develop in the future, the Company entered into the Master Sale and Purchase Agreement with China Agri, COFCO, and COFCO (HK) pursuant to which the Company and China Agri agreed to acquire certain Food and Beverage Business and Agri-Industrial Business, respectively, from COFCO (HK) and to dispose of the Company's Non-core Business to COFCO (HK).

Under the Listing Rules, the acquisitions under the Master Sale and Purchase Agreement, in aggregate, constitute a major and connected transaction, while the disposals, in aggregate, constitute a disclosable and connected transaction. As both the acquisitions and disposals will be effected contemporaneously under the Master Sale and Purchase Agreement, they are regarded as one transaction pursuant to Rule 14.24 of the Listing Rules and the Master Sale and Purchase Agreement constitutes a major and connected transaction under the Listing Rules. COFCO (HK) and its associates are required to abstain from voting at the SGM in relation to the approval of the Master Sale and Purchase Agreement.

Immediately upon the completion of the Reorganisation, the Group will only be involved in the Food and Beverage Business, and the Agri-Industrial Business (through China Agri). Upon completion of the Reorganisation, the Company intends to spin off China Agri by way of a distribution in specie of China Agri Shares to Qualifying Shareholders and separately list China Agri Shares on the main board of the Stock Exchange by way of Introduction. On 10 July 2006, the Company submitted a formal application to the Stock Exchange for approval of the Spin-off. On 6 October 2006, China Agri submitted an advance booking form for an application to the Stock Exchange to list China Agri Shares separately on the main board of the Stock Exchange. The reasons for and the benefits of the Spin-off are set out in section 3 headed “Spin-off – Reasons for and benefits of the Spin-off” in this announcement.

In conjunction with the proposed listing, China Agri also intends to issue new China Agri Shares by way of the Global Offering, which will consist of the Public Offer and the International Placing, upon receipt of conditional approval from the Stock Exchange. The Spin-off is not conditional upon the Global Offering. Should the Global Offering occur, Qualifying Shareholders will be given the option to sell their respective entitlements to China Agri Shares to or through the International Underwriters under the International Placing.

Upon completion of the Reorganisation and the Spin-off, there will be certain ongoing transactions between members of the Remaining Group and connected persons including members of the China Agri Group and members of the COFCO Group which will constitute non-exempt continuing connected transactions of the Remaining Group.

The Master Sale and Purchase Agreement, certain Continuing Connected Transactions, the New Non-competition Deed and the termination of the Existing Non-competition Deed are subject to the approval of the Independent Shareholders. COFCO (HK), a controlling shareholder of the Company, has a material interest in the Master Sale and Purchase Agreement, certain of the Continuing Connected Transactions, the New Non-competition Deed and the termination of the Existing Non-competition Deed, and therefore, it and its associates are required to abstain from voting at the

SGM in relation to the approval of the Master Sale and Purchase Agreement, such Continuing Connected Transactions, the New Non-competition Deed and the termination of the Existing Non-competition Deed.

No approval from the Shareholders for the Spin-off is required under paragraph 3(e) of PN15 to the Listing Rules.

2. REORGANISATION

2.1 Rationale for the Reorganisation

The main objective of the Reorganisation is to consolidate the Group's Food and Beverage Business and Agri-Industrial Business with those currently held by COFCO through its subsidiaries or associated companies, in order to achieve clearer delineation of business activities between the Group and the COFCO Group, and to reduce potential conflicts of interest between the two, which may arise as their respective businesses develop in the future. It is also envisaged that the Company will rationalise its overall business portfolio and divest itself of businesses and holdings (the Non-core Business) that the Company considers to be outside its core Food and Beverage Business and Agri-Industrial Business.

2.2 Creation of China Agri; Sale and Purchase Agreement between China Agri and the Company

China Agri was incorporated as a wholly owned subsidiary of the Company in Bermuda on 23 August 2006. On 8 October 2006, the Company and China Agri entered into the Sale and Purchase Agreement pursuant to which the Company agreed to transfer (or procure the transfer) to China Agri of all of the Agri-Industrial Business consisting of its oilseed processing, wheat processing and rice trading businesses, together with certain shareholders' loans, with the objective of establishing China Agri as the operating company for the Group's Agri-Industrial Business, upon the satisfaction of certain conditions. As consideration for the transfer, China Agri will issue an aggregate of 1,016,670,752 China Agri Shares in favour of the Company, all credited as fully paid.

2.3 Acquisition of COFCO (HK)'s Food and Beverage Business and Agri-Industrial Business; Master Sale and Purchase Agreement between the Company, China Agri, COFCO and COFCO (HK)

Concurrent with the signing of the Sale and Purchase Agreement, the Company and China Agri entered into the Master Sale and Purchase Agreement with COFCO and COFCO (HK), pursuant to

which (1) the Company agreed to acquire from COFCO (HK) certain Food and Beverage Businesses held through Jumbo Team, together with certain shareholders' loans; (2) China Agri agreed to acquire from COFCO (HK) certain Agri-Industrial Businesses held through Full Extent, together with certain shareholders' loans; and (3) the Company agreed to transfer its Non-core Business to COFCO (HK).

2.3.1 Principal terms

Brief details of the principal terms of the Master Sale and Purchase Agreement are set out below: -

Parties	(1) the Company (2) China Agri (3) COFCO (HK) (4) COFCO
Date	8 October 2006
Assets in relation to the Food and Beverage Business to be acquired by the Company from COFCO (HK)	all of the issued share capital and shareholders' loans of Jumbo Team
Assets in relation to the Agri-Industrial Business to be acquired by China Agri from COFCO (HK)	all of the issued share capital and shareholders' loans of Full Extent
Assets in relation to the Non-core Business to be sold by the Company to COFCO (HK)	all of the issued share capital of Seabase International, COFCO 99 and First Reward
Guarantee provided by COFCO	COFCO has undertaken to (i) guarantee the due and punctual performance and observance by COFCO (HK) all of its obligations under the Master Sale and Purchase Agreement, and (ii) indemnify each of the Company and China Agri against all losses,

damages, costs and expenses incurred by each of them arising from any failure by COFCO (HK) to perform and/or observe any of its obligations under the Master Sale and Purchase Agreement.

Consideration

The Company will pay COFCO (HK) a total consideration of HK\$5,333.7 million by (i) issuing and allotting an aggregate of 879,739,382 Shares (“**Consideration Shares**”), all credited as fully paid, in favour of COFCO (HK) for an aggregate value of HK\$4,618.6 million, and (ii) transferring all of the issued share capital of Seabase International, COFCO 99 and First Reward for an aggregate value of HK\$715.1 million, in full settlement for the acquisition of all of the issued share capital and shareholders’ loans of Jumbo Team and Full Extent by the Company and China Agri, respectively.

The consideration was arrived at after arm’s-length negotiations between the relevant parties and is by reference to a valuation of approximately HK\$1,816.3 million for the Food and Beverage Business to be acquired (including HK\$453.4 million shareholders’ loans), about HK\$3,517.4 million for the Agri-Industrial Business to be acquired (including HK\$1,323.0 million shareholders’ loans) and about HK\$715.1 million for the Non-core Business to be disposed of.

The issue price for the Consideration Shares at HK\$5.25 per Share represents a discount of approximately 3.7% to the closing price at HK\$5.45 per Share quoted on the Stock Exchange on 6 October 2006, and a premium of approximately 0.1% to the average closing price of approximately HK\$5.244 per Share as quoted on the Stock Exchange for the 10 trading days of the Shares ended on 6 October 2006. The Consideration Shares will represent 49.3% of the existing issued share capital of the Company and 32.7% of the enlarged issued share capital (assuming that all outstanding options granted under the Existing Share Option Scheme are fully exercised) after the issue and allotment of such shares.

China Agri will separately issue and allot an aggregate of 1,674,712,604 China Agri Shares, all credited as fully paid, to the Company in consideration of the Company’s payment to COFCO (HK) for its acquisition of the Agri-Industrial Business.

Included in the consideration for the Agri-Industrial Business to be acquired valued at about HK\$3,517.4 million, as at 31 December 2006, COFCO (HK) shall have invested at least an aggregate of RMB778.0 million (“**Base Amount**”), in equity contributions and shareholders’ loans, in certain specified new subsidiaries of Full Extent. China Agri shall acquire from COFCO (HK) in cash its rights to any additional shareholders’ loans made by COFCO (HK) to these specified subsidiaries, for an amount equivalent to the amount of shareholders’ loans made by COFCO (HK) to such specified subsidiaries which exceeds the Base Amount, on the later of completion of the Master Sale and Purchase Agreement and 31 December 2006.

The Directors (other than the independent non-executive directors, whose views and opinions will be included in the circular to be despatched to the Shareholders) are of the opinion that the Master Sale and Purchase Agreement is on normal commercial terms which are fair and reasonable and are in the interests of the Shareholders and the Company as a whole.

2.3.2 Brief information on the business of Jumbo Team to be acquired by the Company from COFCO (HK)

After the Completion Date, Jumbo Team will become a wholly owned subsidiary of the Company. Jumbo Team is the holding company for the Food and Beverage Business, comprising certain beverage business and Shaoxing Wine business, as detailed below.

(i) Beverage business

Jumbo Team holds a 100% interest in COFCO Beverages. COFCO Beverages and its subsidiaries and associated companies (collectively, “**COFCO Beverages Group**”) are primarily engaged in the production, bottling, sale and distribution of beverages bearing the trademarks of The Coca-Cola Company and its affiliates (“**Coca-Cola Beverages**”) in certain areas of the PRC. The COFCO Beverages Group is currently one of the three bottler groups in relation to Coca-Cola Beverages in the PRC.

COFCO Beverages holds a 65% direct interest in Beverages JV and the remaining 35% interest is ultimately held by The Coca-Cola Company. Beverages JV has six operating subsidiaries in the PRC, which are principally engaged in the business of producing, bottling, selling and distributing certain Coca-Cola Beverages through the operation of six separate bottling plants in the PRC. Each of these six subsidiaries has entered into or will enter into a bottler’s agreement with The Coca-Cola Company which authorises each of them to produce, bottle, sell and distribute certain Coca-Cola Beverages in 12 provinces and three other cities in the PRC including Hunan, Gansu, Jilin, Hainan provinces and Tianjin municipality, subject to certain terms and conditions.

COFCO Beverages also has direct or indirect minority interests in 14 PRC-incorporated companies which principally operate bottling plants for certain Coca-Cola Beverages in and around major cities including Beijing, Shanghai and Guangzhou. It also has minority interest in a PRC-incorporated company whose primary business includes the storage and transportation of beverages. COFCO Beverages further holds a 25% interest in a company which enables the COFCO Beverages Group to participate in the arrangement of procurement for all Coca-Cola bottling plants in the PRC.

The sales volumes for this business for the year ended 31 December 2005 and the six months ended 30 June 2006 were approximately 138.0 million unit cases and 88.2 million unit cases, respectively.

(ii) Shaoxing Wine business

Jumbo Team holds a 100% interest in COFCO Shaoxing Winery Co., Ltd. (中糧紹興酒有限公司) (“**COFCO Shaoxing**”), a limited liability company incorporated in the PRC.

COFCO Shaoxing is one of twelve Shaoxing Wine producers whose products are authorised to bear special labels identifying them as “Products from Original Production Area”. COFCO Shaoxing is primarily engaged in the production, sale and distribution of a range of Shaoxing Wine varieties including Yuanhong (元紅), Jiafan (加飯), Shanniang (善釀) and Xiangxue (香雪).

The sales volumes of this business for the year ended 31 December 2005 and the six months ended 30 June 2006 were approximately 2,812.0 tonnes and 842.0 tonnes, respectively.

2.3.3 Brief information on the business of Full Extent to be acquired by China Agri from COFCO (HK)

After the Completion Date, Full Extent will become a wholly owned subsidiary of the Company. Full Extent is the holding company for the Agri-Industrial Business, comprising biofuel and biochemical, oilseed processing, rice processing, brewing materials and wheat processing businesses, as detailed below:

(i) Biofuel and biochemical business

The biofuel and biochemical business owned by Full Extent principally involves the production and sale of corn-based products comprising fuel ethanol, consumable ethanol, anhydrous ethanol and other food and feed ingredients such as dried distiller’s grain with solubles, or DDGS, animal feeds and crude corn oil.

In the biofuel and biochemical business, at the Completion Date, Full Extent will hold a 100% interest in China Resources (Heilongjiang) Alcohol Co., Ltd. (黑龍江華潤酒精有限公司) which holds a 65% interest in China Resources Winery (Heilongjiang) Co., Ltd. (黑龍江華潤釀酒有限公司). At the Completion Date, Full Extent will also hold a 20% interest in Jilin Fuel Ethanol Co., Ltd. (吉林燃料乙醇有限責任公司).

As at 30 June 2006, this biofuel and biochemical business had a total annual production capacity of 180,000 tonnes.

In addition, at the Completion Date, Full Extent will hold interests in two plants under construction with a total fuel ethanol production capacity of 500,000 tonnes per annum, which are expected to commence operation in 2007. Full Extent also holds interests in another two plants under construction with a planned corn-processing capacity of 1.2 million tonnes per annum to produce bio-chemical products, which are expected to commence operation in 2007.

(ii) Oilseed processing business

At the Completion Date, Full Extent will hold a 20% interest in Shenzhen Nantian Oilmills Co., Ltd. (深圳南天油粕工業有限公司), which is mainly involved in the business of oil extraction, soybean meal production and the sale of edible oil with an annual crushing capacity of 240,000 tonnes as at 30 June 2006.

(iii) Rice processing business

The rice processing business owned by Full Extent principally involves the processing of parboiled rice, white rice and other rice products.

In the rice processing business, Full Extent holds an 83.47% interest in COFCO Jiangxi Rice Processing Limited (中糧江西米業有限公司) (“**Jiangxi Rice**”) and, at the Completion Date, Full Extent will also hold a 10% interest in COFCO Liaoning Silverdyne Rice Co., Ltd. (中糧遼寧銀鼎米業有限公司) (“**Liaoning Rice**”).

Jiangxi Rice, a limited liability company incorporated in the PRC, owns the only parboiled rice processing plant in the PRC, the largest of its kind in Asia. The principal products of Jiangxi Rice are parboiled rice, white rice and other rice products.

Liaoning Rice, a limited liability company incorporated in the PRC, is primarily engaged in the rice processing business and its principal products are white rice and other rice products.

As at 30 June 2006, the total annual parboiled rice processing capacity of this business was 180,000 tonnes.

(iv) Brewing materials business

The brewing materials business owned by Full Extent principally involves the production and sale of malt used for brewing beer and the importation and distribution of malting barley in the PRC.

In the brewing materials business, at the Completion Date, Full Extent will hold a 100% interest in Dalian COFCO Malt Co., Ltd. (大連中糧麥芽有限公司) (“**Dalian Malt**”), a 100% interest in COFCO Malt (Jiangyin) Co., Ltd. (中糧麥芽 (江陰) 有限公司) (“**Jiangyin Malt**”) and a 100% interest in Shanghai COFCO Brewing Materials Co., Ltd. (上海中糧啤酒原料有限公司) (“**Shanghai Brewing Materials**”).

Dalian Malt, a limited liability company incorporated in the PRC, is principally engaged in the sale and production of brewing malt with an annual production capacity of 360,000 tonnes as of 30 June 2006. Jiangyin Malt, a limited liability company incorporated in the PRC, is in the process of constructing a plant in Jiangyin of Jiangsu Province which will primarily produce brewing malt to be sold in eastern China coastal region and will commence operation in 2007 with an annual designed production capacity of 120,000 tonnes. Shanghai Brewing Materials, a limited liability company incorporated in the PRC, is primarily engaged in the importation and distribution of malting barley in the PRC.

(v) Wheat processing business

The wheat processing business owned by Full Extent principally involves the processing and sale of wheat flour and flour products in the PRC.

In the wheat processing business, Full Extent owns a 51% interest in COFCO TTC (Beijing) Foods Co., Ltd. (中糧豐通 (北京) 食品有限公司), a 66.90% interest in Shenyang Dongda Grains Oils & Foodstuffs Industries Co., Ltd. (瀋陽東大糧油食品實業有限公司), a 69.29% interest in Shenyang Xiangxue Flour Limited Liability Company (瀋陽香雪麵粉股份有限公司), an 80% interest in Puyang COFCO Flour Industry Co., Ltd. (濮陽中糧麵業有限公司), a 55% interest in Shandong COFCO Lude Foods Co., Ltd. (山東中糧魯德食品有限公司), a 100% interest in COFCO Industry (Qinhuangdao) Pangthai Co., Ltd. (中糧麵業 (秦皇島) 鵬泰有限公司) and a 30.25% interest in Shenzhen Southseas Grains Industries Ltd. (深圳南海糧食工業有限公司), all being limited liability companies incorporated in the PRC.

As at 30 June 2006, the total annual wheat processing capacity of this business was 1.2 million tonnes.

2.3.4 Brief information on the Non-core Business of Seabase International, COFCO 99 and First Reward to be sold by the Company to COFCO (HK)

COFCO (HK) will acquire all of the Company's interests in Seabase International, COFCO 99 and First Reward pursuant to the Master Sale and Purchase Agreement.

Seabase International is engaged in, through its direct and indirect subsidiaries and associated companies, businesses such as providing business consultancy services and thermal power generation.

COFCO 99 is principally engaged in providing consultancy services relating to trading and logistics to the COFCO Group through its wholly owned subsidiary, COFCO International Trading Services Limited and its offices in Seoul, Singapore and London.

First Reward is principally engaged in the business related to the trading of grain (excluding rice), vegetables, fruits and seafood through a wholly owned PRC-incorporated limited liability company.

Upon completion of the Reorganisation, the Company will no longer hold any interest in Seabase International, COFCO 99 and First Reward and their respective subsidiaries and associated companies and they will cease to be subsidiaries and associated companies of the Company.

2.3.5 Brief Information on the counterparties

COFCO is a state-owned enterprise in the PRC with business interests in agricultural commodities trading, agriculture products processing, food and beverages, hotel management, real estate, logistics and financial services. COFCO is the ultimate controlling shareholder of the Company. Accordingly, COFCO is a connected person of the Company.

COFCO (HK) is a company incorporated in Hong Kong whose principal business is investment holding and is a wholly owned subsidiary of COFCO. COFCO (HK) is a controlling shareholder and a connected person of the Company. COFCO (HK) set up Jumbo Team and Full Extent as the holding companies for its Food and Beverage Business and Agri-Industrial Business, respectively, prior to entering into the Master Sale and Purchase Agreement.

2.3.6 *Conditions precedent*

Completion of the Master Sale and Purchase Agreement is conditional upon, among other things, the following principal conditions being fulfilled:

- i) the approval of the Independent Shareholders of the Master Sale and Purchase Agreement;
- ii) the approvals of China Securities Regulatory Commission and the State-owned Assets Supervision and Administration Commission in respect of the transactions contemplated under the Master Sale and Purchase Agreement; and
- iii) the granting of approval by the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

If any of the above conditions is not satisfied or waived on or before 30 June 2007 or such later date as the relevant parties may agree, the Master Sale and Purchase Agreement shall lapse.

2.3.7 *Reasons for and benefits of the Master Sale and Purchase Agreement*

The Board believes that completion of the Master Sale and Purchase Agreement will bring the following benefits:

- i) clearer business delineation between the COFCO Group and the Group and reducing existing connected transactions between the two groups; and
- ii) reducing potential conflicts of interest between the COFCO Group and the Group as their respective businesses develop in the future.

2.4 Financial effects of the Reorganisation

The table below sets out certain unaudited financial information on Jumbo Team for the financial years ended 31 December 2003, 2004 and 2005, and for the six months ended 30 June 2006, all prepared in accordance with HKFRS:

	As at and for the six months ended 30 June 2006	As at and for the year ended 31 December 2005	As at and for the year ended 31 December 2004	As at and for the year ended 31 December 2003
	<i>(HK\$ in millions)</i>			
Turnover	1,297.0	1,941.9	1,637.9	660.8
Operating profit	130.7	117.5	74.3	9.7
Net assets (excluding minority interests)	762.9	671.2	628.7	580.1
Net assets (including minority interests)	1,424.0	1,314.5	1,250.1	1,076.5
Net profit before taxation, special items and minority interests	163.3	164.7	121.5	66.6
Net profit after taxation, special items and minority interests	84.3	86.0	63.8	50.2

The table below sets out certain unaudited financial information on Full Extent for the financial years ended 31 December 2003, 2004 and 2005, and for the six months ended 30 June 2006, all prepared in accordance with HKFRS:

	As at and for the six months ended 30 June 2006	As at and for the year ended 31 December 2005	As at and for the year ended 31 December 2004	As at and for the year ended 31 December 2003
	<i>(HK\$ in millions)</i>			
Turnover	1,770.0	2,347.4	1,887.6	1,185.6
Operating profit	220.1	71.8	33.4	6.1
Net assets (excluding minority interests)	1,392.0	120.1	64.2	85.3
Net assets (including minority interests)	1,492.4	177.3	116.2	119.6
Net profit (loss) before taxation, special items and minority interests	200.9	45.9	(11.5)	(13.0)
Net profit (loss) after taxation, special items and minority interests	166.0	47.7	(10.6)	(11.9)

The financial information of Full Extent has been prepared on the basis of its reorganisation under common control as if Full Extent had been in existence since 1 January 2003 and as if the current structure of Full Extent had been in existence since the beginning of the earliest period presented or, with respect to individual members of Full Extent, since their respective dates of incorporation or establishment or effective dates of acquisition, whichever is later.

The biofuel and biochemical business and other businesses comprising Full Extent were under the common control of the COFCO Group at the time of the Reorganisation. Full Extent accounts for Heilongjiang Alcohol and Heilongjiang Winery, which together form a substantial part of the biofuel and biochemical business, as subsidiaries under purchase accounting, and Jilin Fuel, which also forms a part of the biofuel and biochemical business, as an associated company under purchase accounting. Full Extent includes in its financial information the results of Heilongjiang Alcohol Group from 27 January 2006, the date on which the COFCO Group acquired management control over Heilongjiang Alcohol Group from a third party, China Resources (Holdings) Company Limited, and investment revenue derived from Jilin Fuel from 1 March 2006, the date on which the COFCO Group started to exercise significant influence on deciding the financial and operating policies of Jilin Fuel.

For reference, the table below sets out certain unaudited financial information of Heilongjiang Alcohol Group for the three years ended 31 December 2003, 2004 and 2005, and for the six months ended 30 June 2006 in accordance with HKFRS.

	As at and for the six months ended 30 June 2006	As at and for the year ended 31 December 2005	As at and for the year ended 31 December 2004	As at and for the year ended 31 December 2003
	<i>(RMB in millions)</i>			
Turnover	704.5	1,361.4	1,595.7	1,022.3
Operating profit	148.2	246.6	91.4	93.3
Net assets (excluding minority interests)	615.7	506.7	222.9	175.2
Net assets (including minority interests)	618.4	509.2	225.3	177.4
Net profit before taxation, special items and minority interests	130.3	208.4	48.4	76.2
Net profit after taxation, special items and minority interests	109.1	175.3	47.8	76.4

The combined unaudited profit before tax from ordinary activities of Jumbo Team and Full Extent for the years ended 31 December 2003, 2004 and 2005 were RMB56.8 million, RMB116.6 million and RMB221.8 million (equivalent to approximately HK\$53.6 million, HK\$110.0 million and HK\$210.6 million), respectively, the combined unaudited profit before tax from ordinary activities of Jumbo Team and Full Extent for the six months ended 30 June 2006 was RMB376.9 million (equivalent to approximately HK\$364.2 million), and the combined unaudited profit attributable to shareholders of Jumbo Team and Full Extent for the same periods were RMB40.6 million, RMB56.4 million, RMB140.8 million and RMB259.1 million (equivalent to approximately HK\$38.3 million,

HK\$53.2 million, HK\$133.7 million and HK\$250.3 million), respectively, all prepared in accordance with HKFRS.

The combined unaudited profit before tax from ordinary activities of Seabase International, COFCO 99 and First Reward for the years ended 31 December 2003, 2004 and 2005 were RMB75.6 million, RMB71.0 million and RMB116.8 million (equivalent to approximately HK\$71.3 million, HK\$67.0 million and HK\$110.9 million), respectively, the combined unaudited profit before tax from ordinary activities of Seabase International, COFCO 99 and First Reward for the six months ended 30 June 2006 was RMB71.6 million (equivalent to approximately HK\$69.2 million), and the combined unaudited profit attributable to shareholders of Seabase International, COFCO 99 and First Reward for the same periods were RMB67.6 million, RMB54.6 million, RMB95.0 million and RMB55.1 million (equivalent to approximately HK\$63.8 million, HK\$51.5 million, HK\$90.2 million and HK\$53.2 million), respectively, all prepared in accordance with HKFRS.

Assuming the Reorganisation had been completed on 1 January 2005, the earnings of the Enlarged Group for the year ended 31 December 2005 after completion of the Reorganisation would have been increased by RMB45.8 million (equivalent to approximately HK\$43.5 million) and the assets and liabilities of the Enlarged Group as at 31 December 2005 would have been increased by RMB3,649.4 million and RMB2,865.8 million (equivalent to approximately HK\$3,505.7 million and HK\$2,752.9 million), respectively, all prepared in accordance with HKFRS.

2.5 Listing Rules implications

COFCO and COFCO (HK), both connected persons of the Company, are counterparties under the Master Sale and Purchase Agreement. Accordingly, the Master Sale and Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. As the applicable percentage ratios (as defined in the Listing Rules) in respect of the aggregate value of the acquisitions by the Group under the Master Sale and Purchase Agreement exceed 25% but are less than 100%, the acquisitions, in aggregate, also constitutes a major transaction of the Company. The applicable percentage ratios (as defined in the Listing Rules) in respect of the aggregate value of the disposals by the Company under the Master Sale and Purchase Agreement are more than 5% but less than 25%, and the disposals, in aggregate, constitute a disclosable transaction. However, as both the acquisitions and the disposals are expected to be effected contemporaneously, both the acquisitions and the disposals are treated as one transaction under the Listing Rules and the Master Sale and Purchase Agreement is considered as a major and connected transaction under the Listing Rules requiring disclosure and approval of the Independent Shareholders. COFCO (HK) and its associates are required to abstain from voting at the SGM in relation to the approval of the Master Sale and Purchase Agreement.

2.6 Consideration Shares

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares will comprise 879,739,382 new Shares, credited as fully paid. Immediately after the issue and allotment of the Consideration Shares to COFCO (HK) pursuant to the Master Sale and Purchase Agreement, the Company will have an issued share capital of HK\$269,238,335.6, and COFCO (HK) and its associates will be interested in approximately 77.4% of the enlarged issued share capital of the Company (assuming that all outstanding options granted under the Existing Share Option Scheme are fully exercised). Following this, the Company will take necessary actions to increase the public float of the Company's issued share capital to meet the 25% minimum public float requirement as prescribed in Rule 8.08 of the Listing Rules on or before the Completion Date. The issue and allotment of the Consideration Shares will not result in a change of control of the Company.

The Consideration Shares will rank part passu in all respects with the existing issued Shares of the Company. There are no restrictions which apply to the subsequent sale of such Consideration Shares.

The table below sets out the shareholdings of the Company before and after the issue and allotment of the Consideration Shares:

		Number of Shares held	Approximate percentage of issued share capital
As at the date of this announcement	COFCO (HK) and its associates	1,204,948,949	67.5
	Public	580,133,025	32.5
On and after the issue and allotment of the Consideration Shares (assuming that all outstanding options granted under the Existing Share Option Scheme are fully exercised)	COFCO (HK) and its associates	2,084,688,331	77.4
	Public	607,695,025	22.6

Following the issue and allotment of the Consideration Shares to COFCO (HK) pursuant to the Master Sale and Purchase Agreement, COFCO (HK) will hold 77.4% of the enlarged issued share capital of the Company. In this respect, the Company will take necessary action to increase the

public float of the Company's issued share capital to meet the 25% minimum public float requirements as prescribed in Rule 8.08 of the Listing Rules on or before the Completion Date.

3. SPIN-OFF

3.1 Background

The Company proposes to implement the Spin-off by way of a distribution in specie of China Agri Shares held by the Company as a Special Dividend to Qualifying Shareholders and separately list China Agri Shares on the main board of the Stock Exchange by way of Introduction, conditional upon approval from the Listing Committee. Conditional upon the Spin-off occurring, China Agri will also seek to issue new China Agri Shares by way of the Global Offering, which will consist of the Public Offer and the International Placing.

The Spin-off is not conditional upon the Global Offering occurring. The Spin-off is conditional mainly on the conditional approval of the Stock Exchange for the listing of China Agri Shares by way of Introduction.

Upon receipt of the conditional approval from the Listing Committee for the separate listing of China Agri by way of Introduction, the Company will issue a public announcement to declare the Special Dividend and to announce the Special Dividend Record Date, as well as the Listing Date.

After the Special Dividend Record Date, but before the Listing Date, China Agri may seek to issue new China Agri Shares by way of the Global Offering. It is currently anticipated that the new China Agri Shares issued in the Global Offering will amount to 20% of the enlarged issued share capital of China Agri. A full marketing process, including an international management road-show, will therefore take place after the Special Dividend Record Date but before the Listing Date. At the end of this marketing process, having assessed investor demand for the new China Agri Shares, China Agri and its underwriters will then decide whether to proceed with the Global Offering. Should the Global Offering proceed, the new China Agri Shares issued in conjunction with the Global Offering will also begin trading on the Listing Date on which the existing China Agri Shares, distributed as the Special Dividend, will begin trading.

Should China Agri and its underwriters decide not to proceed with the Global Offering, then China Agri will not proceed to issue any new China Agri Shares. However, irrespective of this, the existing China Agri Shares distributed by way of the Special Dividend will begin trading on the Listing Date.

It is currently envisaged that each of the Qualifying Shareholders will be given an option to sell their respective entitlements to China Agri Shares to or through the International Underwriters under the International Placing, should the Global Offering proceed. Those Qualifying Shareholders electing to sell their China Agri Shares in this manner will receive cash proceeds for each China Agri Share equal to the Offer Price, less any underwriting commissions, stamp duties and other applicable charges.

Any new China Agri Shares issued pursuant to the Global Offering will rank *pari passu* in all respects with the other China Agri Shares then in issue and there is no restriction on the subsequent sale of such shares.

There will be only one class of shares in China Agri. The Spin-off and the separate listing of China Agri Shares on the main board of the Stock Exchange will be conditional upon the conditions set out in section 3.8 headed “Conditions” below having been fulfilled.

On 6 October 2006, China Agri submitted an advance booking form to the Stock Exchange for an application for the approval for the separate listing of, and permission to deal in, China Agri Shares in issue and any new China Agri Shares to be issued pursuant to the Global Offering (including any China Agri Shares issued pursuant to any exercise of the Over-allotment Option), and any new China Agri Shares that may be issued pursuant to any exercise of the options under the China Agri Share Option Scheme. The Directors confirm that the Company complies with all the Spin-off requirements under PN15 of the Listing Rules.

In connection with the Global Offering, the price of China Agri Shares may be stabilised in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Details of any intended stabilisation and how it will be regulated under the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be contained in the Prospectus.

Subject to the granting of the listing of, and permission to deal in, China Agri Shares on the main board of the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, China Agri Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Shares will continue to be listed on the main board of the Stock Exchange after the implementation of the Spin-off.

The specific terms and timing of the Spin-off and the Global Offering (including the option for Qualifying Shareholders to sell their respective entitlements to China Agri Shares) have yet to be finalised. Shareholders of the Company are therefore reminded to exercise caution when dealing in the securities of the Company.

3.2 Businesses of the Remaining Group and the China Agri Group

3.2.1 Business of the Remaining Group

Upon completion of the Spin-off, the business of the Remaining Group will comprise Food and Beverage Business involving or related to:

- (i) beverage business principally involving the production, bottling, distribution and sale of certain Coca-Cola Beverages;
- (ii) wine business principally involving the production and sale of red and white wines under brands including “Greatwall”, “Huaxia”, “長城” (changcheng) and “華夏” (huaxia) as well as Shaoxing Wines;
- (iii) confectionery business principally involving the production and sale of chocolates and other confectionery products under brands including “Le Conte” and “金帝” (jindi); and
- (iv) the Consumer-pack Edible Oil Business principally involving the marketing, distribution and sale of consumer cooking oil under brands including “福臨門” (fulinmen), “Fortune” and “四海” (sihai).

3.2.2 Business of the China Agri Group

Upon completion of the Spin-off, the business of China Agri Group will comprise Agri-Industrial Business involving or related to:

- (i) biofuel and biochemical business principally involving the production and sale of corn-based products comprising fuel ethanol, consumable ethanol, anhydrous ethanol, starches, sweeteners and other food and feed ingredients such as dried distiller’s grain with solubles, or DDGS, animal feeds and crude corn oil;

- (ii) oilseed processing business principally involving the production and sale of vegetable oils and fats and oilseed meals;
- (iii) rice trading and processing business principally involving the trading of rice and the processing of parboiled rice, white rice and other rice products;
- (iv) brewing materials business principally involving the production and sale of malt used for brewing beer and the importation and distribution of malting barley in the PRC; and
- (v) wheat processing business principally involving the production and sale of wheat flour and flour products.

3.3 Financial information

Assuming the Reorganisation and the Spin-off had been completed since 1 January 2003, the China Agri Group's unaudited combined results from ordinary activities for the past three financial years ended 31 December 2005 and the six months ended 30 June 2006 would have been as follows, all prepared in accordance with HKFRS:

	As at and for the six months ended 30 June 2006	As at and for the year ended 31 December 2005	As at and for the year ended 31 December 2004	As at and for the year ended 31 December 2003
	<i>(HK\$ in millions)</i>			
Turnover	8,668.4	16,300.4	16,050.1	12,529.2
Operating profit	459.7	411.3	293.2	354.7
Net assets (excluding minority interests)	3,440.0	1,989.7	1,823.9	1,795.0
Net assets (including minority interests)	4,406.6	2,893.3	2,682.9	2,500.2
Net profit before taxation, special items and minority interests	434.2	354.3	206.5	386.7
Net profit after taxation, special items and minority interests	315.1	254.9	130.7	247.2

The financial information of the China Agri Group has been prepared on the basis of its reorganisation under common control as if the China Agri Group had been in existence since 1 January 2003 and as if the current structure of the China Agri Group had been in existence since the beginning of the earliest period presented or, with respect to individual members of the China Agri Group, since their respective dates of incorporation or establishment or effective dates of acquisition, whichever is later.

The biofuel and biochemical business and other businesses comprising the China Agri Group were under the common control of the COFCO Group at the time of the Reorganisation. The China Agri Group accounts for Heilongjiang Alcohol and Heilongjiang Winery, which together form a substantial part of the biofuel and biochemical business, as subsidiaries under purchase accounting, and Jilin Fuel, which also forms a part of the biofuel and biochemical business, as an associated company under purchase accounting. The China Agri Group includes in its financial information the results of Heilongjiang Alcohol Group from 27 January 2006, the date on which the COFCO Group acquired management control over Heilongjiang Alcohol Group from a third party, China Resources (Holdings) Company Limited, and investment revenue derived from Jilin Fuel from 1 March 2006, the date on which the COFCO Group started to exercise significant influence on deciding the financial and operating policies of Jilin Fuel.

For reference, certain unaudited financial information of Heilongjiang Alcohol Group for the three years ended 31 December 2003, 2004 and 2005, and for the six months ended 30 June 2006 in accordance with HKFRS have been set out in section 2.4 above.

On a pro-forma basis, the China Agri Group would have accounted for 81.3% of the Enlarged Group's turnover and 65.7% of the Enlarged Group's profit attributable to shareholders for the six months ended 30 June 2006.

Assuming the Reorganisation and the Spin-off had been completed since 1 January 2003, the Remaining Group's unaudited combined results from ordinary activities for the past three financial years ended 31 December 2005 and for the six months ended 30 June 2006 would have been as follows, all prepared in accordance with HKFRS:

	For the six months ended 30 June 2006	For the year ended 31 December 2005	For the year ended 31 December 2004	For the year ended 31 December 2003
	<i>(HK\$ in millions)</i>			
Turnover	3,134.4	5,748.8	4,981.5	3,133.8
Operating profit	291.1	419.6	337.1	195.3
Net profit before taxation, special items and minority interests	308.6	434.1	363.1	244.0
Net profit after taxation, special items and minority interests	187.5	257.4	215.5	163.8

Assuming the Reorganisation and the Spin-off had been completed on 1 January 2005, the net profits attributable to equity holders to the Remaining Group for the year ended 31 December 2005 after completion of the Reorganisation and the Spin-off would have been reduced by RMB180.9 million (equivalent to approximately HK\$171.8 million) and the assets and liabilities of the Remaining Group as at 31 December 2005 would have been reduced by RMB6,254.5 million and RMB3,439.8 million (equivalent to approximately HK\$6,008.2 million and HK\$3,304.3 million), respectively, all prepared in accordance with HKFRS.

All financial information set out in this section 3.3 are unaudited combined results. Shareholders and prospective investors should therefore exercise extreme caution in interpreting the information herein, which may be subject to changes and may differ from the audited final results, and when dealing in Shares of the Company. Differences, if any, between the information herein and the audited final results as reflected in any subsequent circular or offering document provided to Shareholders and/or prospective investors will be highlighted in a separate public announcement.

3.4 Reasons for and benefits of the Spin-off

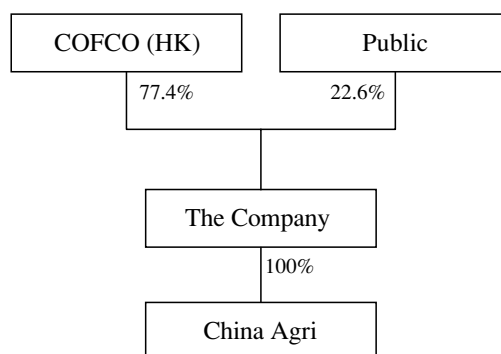
The Directors believe that the business of the China Agri Group and the Remaining Group will follow different development paths in the future due to their different natures. The Board therefore believes that the Spin-off, which will serve to separate the two different business activities of the Remaining Group and the China Agri Group, will:

- (a) enable the respective management teams of the Remaining Group and the China Agri Group to better focus their resources on businesses that require common management skills, experience and know-how within each group; and
- (b) enable direct access to the capital markets for each of the Remaining Group and the China Agri Group, whose different business natures and growth paths may give rise to different funding needs, and therefore require different funding strategies or sources.

3.5 Effects of the Spin-off

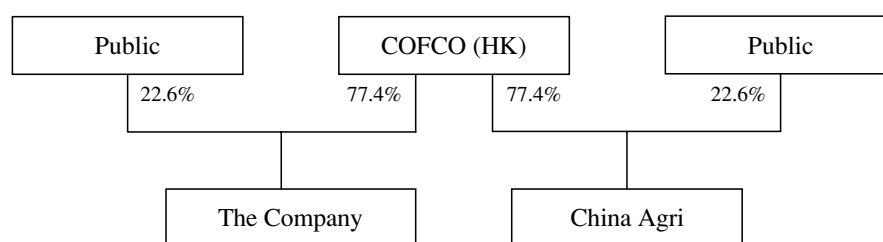
3.5.1 Shareholding structure prior to the Spin-off

A simplified shareholding structure of the Company and China Agri immediately before the completion of the Spin-off is as follows (assuming that all outstanding options granted under the Existing Share Option Scheme are fully exercised):



3.5.2 Proposed shareholding structure after the Spin-off

A simplified shareholding structure of the Company and China Agri immediately following the completion of the Spin-off (assuming that all outstanding options granted under the Existing Share Option Scheme are fully exercised and the Over-allotment Option is not exercised and subject to change once the Special Dividend has been confirmed) is as follows:



3.5.3 Adherence to the 25% minimum public float requirement

Following the issue and allotment of the Consideration Shares to COFCO (HK) pursuant to the Master Sale and Purchase Agreement, COFCO (HK) will be entitled to receive 77.4% of China Agri Shares to be distributed by the Company to the Qualifying Shareholders pursuant to the Spin-off, prior to the Global Offering. In this respect, China Agri will take necessary action to increase the public float of China Agri's issued share capital to meet the 25% minimum public float requirement as prescribed in Rule 8.08 of the Listing Rules on or before the Completion Date.

3.5.4 Continuity of management

The Directors believe that the Company, following the Reorganisation, will retain a sufficient number of key management personnel who have played a direct role in its financial results in the financial years of 2003, 2004 and 2005 to enable the Company to achieve continuity of management. Messrs. Qu Zhe, Wu Fei and Lian Qing, who have been key management personnel responsible for the Company's wine business during each of the last three financial years, will remain in their positions. Mr. Cao Zhaoliang, who has served as the general manager of the Company's confectionary business

since 2002, will remain in his position. Mr. Zhang Zhentao, who has served as the general manager of the Company's Consumer-pack Edible Oils Business, will also remain in his position. As such, the key management personnel responsible for the financial results of the Company's business units in the last three financial years will remain in their positions following the Reorganisation. In addition, Mr. Qu Zhe who has been the managing director of the Company since January 2006 will remain in his position, as will Mr. Ma Jianping, who has been the deputy general manager of the Company since June 2003.

3.6 Relationship between the China Agri Group and the Remaining Group

The China Agri Group will function independently from the Remaining Group in terms of its mode of operation and management upon completion of the Spin-off.

3.6.1 Independence of directorship and management

Upon completion of the Spin-off, the Company and China Agri will have boards of directors that will function independently of each other. The exact structure of the directorship and management will be decided by the Directors but it is proposed that there will be 10 directors on the Board of the Company, including three independent non-executive directors. It is also proposed that there will be 10 directors on the board of China Agri, including three independent non-executive directors.

The table below sets out the proposed boards of directors of the Company before and immediately after the Spin-off:

Before the Spin-off

<u>Name</u>	<u>Position</u>
NING Gaoning	Chairman and Executive Director
QU Zhe	Managing Director and Executive Director
LIU Fuchun	Executive Director
XUE Guoping	Executive Director
LIU Yongfu	Executive Director
YU Xubo	Executive Director
MAK Chi Wing, William	Executive Director
Stephen Edward CLARK	Independent Non-executive Director
TAN Man Kou	Independent Non-executive Director
YUEN Tin Fan, Francis	Independent Non-executive Director

Immediately after the Spin-off

<u>Name</u>	<u>Position</u>
NING Gaoning	Chairman and Executive Director
QU Zhe	Managing Director and Executive Director
MA Jianping	Executive Director
MAK Chi Wing, William	Executive Director
LUAN Xiuju	Executive Director
ZHANG Zhentao	Executive Director
WU Wenting	Non-executive Director
Stephen Edward CLARK	Independent Non-executive Director
TAN Man Kou	Independent Non-executive Director
YUEN Tin Fan, Francis	Independent Non-executive Director

The table below sets out the proposed boards of directors of China Agri before and immediately after the Spin-off:

<u>Name</u>	<u>Position</u>
NING Gaoning	Chairman and Non-executive Director
YU Xubo	Managing Director and Executive Director
LU Jun	Executive Director
YUE Guojun	Executive Director
CHI Jingtao	Non-executive Director
MA Wangjun	Non-executive Director
MAK Chi Wing, William	Non-executive Director
LAM Wai Hon, Ambrose	Independent Non-executive Director
SHI Yuanchun	Independent Non-executive Director
Victor YANG	Independent Non-executive Director

No Director is interested in any business, apart from the Remaining Group's business, which competes or is likely to compete, either directly or indirectly, with the Remaining Group's business.

No director of China Agri is interested in any business, apart from China Agri's business, which competes or is likely to compete, either directly or indirectly, with China Agri's business.

Upon completion of the Spin-off, the Company and China Agri will have two common directors, being Mr. Ning Gaoning and Mr. Mak Chi Wing, William. Mr. Ning Gaoning and Mr. Mak Chi Wing, William will both be executive directors of the Company and non-executive directors of China Agri. In particular, it is intended that Mr. Ning will be the chairman of the board of directors of both the Company and China Agri. Given that Mr. Ning is also the chairman of COFCO, the Company believes that the arrangement described above will enhance co-ordination and synergy among the companies and will enable strategic matters of all the companies to be executed more efficiently. Furthermore, given the strength of Mr. Ning's experience in many positions of business leadership over the past years, the Company believes his stewardship role as chairman of both China Agri and the Company will be in the interests of shareholders of both companies.

Due to his appointment as managing director of China Agri, Mr. Yu Xubo will step down as executive director of the Company upon completion of the Spin-off. In addition, Messrs. Liu Fuchun, Xue Guoping and Liu Yongfu will also step down as executive directors of the Company upon completion of the Spin-off, and Messrs. Ma Jianping and Zhang Zhentao will be appointed as executive directors. Messrs. Liu, Xue and Liu are senior employees of COFCO, and are stepping down as executive directors of the Company due to their recent reassignments to other positions within the COFCO Group. Given their significant roles in the overall development and day-to-day management of the Company in the last three financial years, Messrs. Ma and Zhang will be appointed as executive directors of the Company in order to strengthen management representation within the Board, particularly in light of the planned departures of Messrs. Liu, Xue and Liu, upon completion of the Spin-off.

Mr. Yu Xubo was appointed as an executive director of the Company on 18 January 2006, and his responsibilities as a director of the Company involve the management of Agri-Industrial Business of the Company, including oilseed processing business, wheat processing business and rice trading business. Since the Company will transfer all of its Agri-Industrial Business to China Agri upon completion of the Reorganisation and the Spin-off, the Directors believe that the departure of Mr. Yu from the Board will not affect the management continuity of the Remaining Group.

Messrs. Xue Guoping and Liu Yongfu have extensive experience in international trade and management. However, Messrs. Xue and Liu, were not involved in the day-to-day operations of the Group in the last three financial years. As Directors of the Company, they provided oversight and guidance to the managers of the Company's business units involved in trading activities or agricultural products processing business. Since these businesses will either be returned to COFCO or transferred to China Agri as part of the Reorganisation and the Group will no longer be involved in such businesses after completion of the Reorganisation and the Spin-off, the Directors believe that the departures of Messrs. Xue and Liu from the Board will not affect the management continuity of the Remaining Group.

Each of the Company and China Agri will have three independent non-executive directors who do not sit on the board of the other company.

Besides independent directorships, upon completion of the Spin-off, the management of the Remaining Group and the China Agri Group will be functioning independently of each other with no overlap in senior management personnel between the two groups.

3.6.2 Delineation of business and customers

Following implementation of the Spin-off, the China Agri Group will only be engaged in the Agri-Industrial Business, while the Remaining Group, on the other hand, will only be engaged in Food and Beverage Business. In terms of customer segmentation, the Remaining Group will sell its products to customers who are retailers and distributors, whereas the China Agri Group will serve customers who are producers and manufacturers of foodstuffs, beverages, animal feeds, fuel oil and various other industrial products. As such, there will be a clear delineation in business and customer base between the China Agri Group and the Remaining Group and each group will not operate in the line of business, or serve the customer base, of the other.

3.6.3 Independent financial viability

Following completion of the Spin-off, the China Agri Group will not be reliant on the Remaining Group for financial assistance.

3.6.4 Independent administrative capacity

Following completion of the Spin-off, the China Agri Group, the Remaining Group and the COFCO Group will operate independently in all essential respects.

3.7 Non-competition

After completion of the Reorganisation and the Spin-off, the Remaining Group will not have any controlling shareholder with an interest, which would be discloseable for the purpose of Rule 8.10 of the Listing Rules, in a business apart from the Remaining Group's business which competes or is likely to compete, either directly or indirectly, with the Remaining Group's business.

On 8 October 2006, COFCO and COFCO (HK) executed the New Non-competition Deed in favour of the Company under which each of COFCO and COFCO (HK) undertook that for so long as COFCO and its associates hold not less than 30% of the issued share capital in the Company, it

would not and it would procure that none of its subsidiaries, directly or indirectly, be engaged or interested in any capacity (which would include through its interests in China Agri so long as it holds 10% or more of the issued share capital of China Agri) in any business which is in competition with the Food and Beverage Business carried on by the Remaining Group provided that this restriction shall not prohibit COFCO or COFCO (HK) from holding shares in aggregate up to 5% of the issued share capital of any competing company the shares of which are listed or dealt in on any stock exchange.

Subject to Independent Shareholders' approval, the New Non-competition Deed will come into effect upon completion of the Reorganisation and the Existing Non-competition Deed will be terminated on the date when the New Non-competition Deed comes into effect. COFCO (HK) and its associates are required to abstain from voting at the SGM in relation to the approval of the New Non-competition Deed and the termination of the Existing Non-competition Deed.

After completion of the Spin-off, there will be no direct competition between the China Agri Group and the Remaining Group. The China Agri Group will mainly operate the Agri-Industrial Business while the Remaining Group will mainly engage in the Food and Beverage Business and each group will not engage in business which directly or indirectly competes with the other.

On 8 October 2006, COFCO and COFCO (HK) executed a deed of non-competition in favour of China Agri ("**China Agri Non-competition Deed**"), under which each of COFCO and COFCO (HK) undertook that for so long as COFCO and its associates hold not less than 30% of the issued share capital in China Agri, it would not and it would procure that none of its subsidiaries, directly or indirectly, be engaged or interested in any capacity (which would include through its interests in the Company so long as it holds 10% or more of the issued share capital of the Company), in any business which is in competition with the Agri-Industrial Business carried on by the China Agri Group, provided that this restriction shall not apply to COFCO's directly or indirectly holding interests in three companies which are involved in businesses similar in nature to China Agri's oilseed processing business and two companies which are involved in business similar in nature to China Agri's biofuel and biochemical business ("**Retained Interests**") but the competing business can nevertheless be delineated from those of the China Agri Group and this restriction shall not prohibit COFCO or COFCO (HK) from holding shares in aggregate up to 5% of the issued share capital of any competing company the shares of which are listed or dealt in on any stock exchange. Further, under the China Agri's Non-competition Deed, COFCO granted to China Agri options and pre-emptive rights to acquire certain of the Retained Interests under certain terms and conditions.

The China Agri Non-competition Deed will come into effect upon completion of the Reorganisation.

Although no member of the Remaining Group and no member of the China Agri Group has entered into any contractual restriction or provided any undertaking that would prevent it from competing with the other party, the two undertakings described above given by COFCO and COFCO (HK) in favour of the Company and China Agri, respectively, will in effect restrict the two groups from being engaged in any mutually competing business for so long as COFCO is the ultimate beneficiary controlling shareholder of the Company and China Agri or the controlling shareholder of either and a holder of 10% or more of the issued share capital of the other.

3.8 Conditions

The Spin-off by way of distribution in specie of China Agri Shares as a Special Dividend to Qualifying Shareholders will be conditional on, among other things, the following:

- (1) the Listing Committee granting approval for the Spin-off and the listing of, and permission to deal in, all China Agri Shares in issue and any China Agri Shares which may be issued pursuant to the exercise of the options under the China Agri Share Option Scheme; and
- (2) completion of the Reorganisation.

If any of these and other applicable conditions is not fulfilled or waived prior to the dates and times to be specified, the Spin-off will lapse and the Stock Exchange will be notified immediately and a notice will be published by the Company and/or China Agri as soon as practicable following such lapse.

For the avoidance of doubt, the Spin-off will not be effected, and no Special Dividend in the form of China Agri Shares will be declared, unless and until conditional approval has been granted by the Stock Exchange for the listing of China Agri Shares. Should such listing be approved, and such Special Dividend be declared, China Agri may also seek to issue new shares by way of the Global Offering. However, the Spin-off will not be conditional upon the Global Offering occurring. The listing of China Agri Shares will proceed so long as the conditional approval of listing has been granted by the Stock Exchange and the Special Dividend has been declared and made by the Company.

3.9 Listing Rules implications

No approval from the Shareholders for the Spin-off is required under paragraph 3(e) of PN15 to the Listing Rules.

3.10 General

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the Spin-off. It is emphasised that none of the Company, China Agri or their respective professional advisers or any other parties involved in the Spin-off or their respective directors or employees will accept any responsibility for any tax effect on, or liabilities of, the Shareholders.

Shareholders of the Company should note that the Board may or may not proceed with the Spin-off and/or the Global Offering in accordance with the terms set out above, or at all. A further announcement will be made as and when appropriate in respect of any material developments relating to the Spin-off and/or the Global Offering. The Board emphasises that the specific terms and timing of the Spin-off and the Global Offering (including the option for Qualifying Shareholders to sell their entitlements to China Agri Shares) have yet to be finalised. Shareholders of the Company are therefore reminded to exercise caution when dealing in the securities of the Company.

4. COMPLETION

It is currently intended that the Reorganisation, the Spin-off and the Global Offering, if any, will all complete on the Completion Date, the timing of which will depend on the ability of all parties to satisfy and fulfil the conditions precedent to the Reorganisation (as outlined in 2.3.6 above), as well as the ability of applicable parties to satisfy the conditions precedent to the Spin-off (as outlined in 3.8 above).

Shareholders should note, however, that the completion of the Reorganisation, including (i) the implementation by China Agri and the Company of the Sale and Purchase Agreement, and (ii) the implementation by the Company, China Agri, COFCO and COFCO (HK) of the Master Sale and Purchase Agreement, is not conditional upon completion of the Spin-off.

Should the conditions precedent to the Spin-off, in particular the granting of approval for the listing of, and permission to deal in, China Agri Shares by the Listing Committee of the Stock Exchange, not be met by 30 June 2007, COFCO, COFCO (HK), the Company and China Agri shall proceed to complete the Reorganisation on or as soon as practicable after such date, subject to all applicable conditions precedent having been satisfied or otherwise waived according to the terms of the Sale and Purchase Agreement and the Master Sale and Purchase Agreement.

5. CONTINUING CONNECTED TRANSACTIONS

5.1 Between the Remaining Group and the COFCO Group

Upon completion of the Reorganisation and the Spin-off, in addition to certain existing continuing connected transactions, the following transactions between the Remaining Group and the COFCO Group will also constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules:

5.1.1 *Mutual Supply Agreement*

After completion of the Reorganisation and the Spin-off, the Remaining Group will continue sales and purchases of certain products to and from the COFCO Group on an arm's-length basis.

COFCO and the Company entered into an agreement on 8 October 2006 ("**Mutual Supply Agreement**"), pursuant to which, COFCO and its associates will provide sugar as raw materials and bottle crowns as raw packaging materials to the Remaining Group for its production and bottling of certain Coca-Cola Beverages and the Remaining Group will provide Shaoxing Wines to COFCO and its associates for export. The Mutual Supply Agreement is for a term commencing from its effective date to 31 December 2008 and may be renewed upon mutual agreement between the two parties. If the terms and conditions of the supply of similar materials or products offered by one party are more favorable than those offered by any third party, the other party shall give priority in sourcing the requisite materials and products from the first party. The Mutual Supply Agreement was negotiated on an arm's-length basis and the terms represent normal commercial terms. The above products will be provided at market price or, where market price is not applicable, the price agreed between the relevant parties, which shall be the reasonable costs incurred in providing the materials or products plus a reasonable margin of approximately 5% of such costs.

For the years ended 31 December 2003, 2004 and 2005 and the six months ended 30 June 2006, the pro-forma aggregate expenditures for the materials supplied by COFCO and its associates to the Remaining Group, are set out below:-

Transactions	Historical transaction values for the			
	2003	year ended December 31 2004	2005	six months ended June 30, 2006
		<i>(RMB in millions)</i>		
Bottle crowns	–	0.77	2.04	1.11
Sugar	–	48.46	7.09	–
Total	–	49.23	9.13	1.11

For the years ended 31 December 2003, 2004 and 2005 and the six months ended 30 June 2006, the pro-forma aggregate expenditures for the Shaoxing Wines provided by the Remaining Group to COFCO and its associates, being the subject matter of the Mutual Supply Agreement, would have been approximately RMB440,000, RMB330,000, RMB340,000 and RMB90,000 (equivalent to approximately HK\$415,000, HK\$311,000, HK\$323,000 and HK\$87,000), respectively. As a large amount of Shaoxing Wines is normally traded in the second half of a year, the aggregate revenues for Shaoxing Wines supplied by the Remaining Group to COFCO and its associates for the six months ended 30 June 2006 is less than half of the previous annual transaction values.

There was a significant drop in the annual expenditure of the Remaining Group in respect of the purchase of sugar from COFCO and its associates in 2005 and the six months ended 30 June 2006. The reason was that COFCO, being previously more a trader rather than producer of sugar, supplied sugar to the Remaining Group on terms that were largely dependent on the terms of its own sugar purchases. Because COFCO purchased sugar on relatively less favourable terms in 2005 and the first six months of 2006, it could not re-offer sugar to the Remaining Group on favourable terms. Therefore, during these same periods, the Remaining Group purchased sugar mainly from third parties.

However, COFCO acquired eight companies engaged in sugar production in Xinjiang Uyghur Autonomous Region (“**Xinjiang**”) in 2005 and has been able to enhance its annual sugar production capability as to approximately 300 thousand tonnes of sugar since 2006. The conditions and terms of the supply of sugar by the COFCO Group to members of the Remaining Group in the vicinity of Xinjiang are anticipated to be more favourable than those offered by third parties. From 2006 to 2008, the Remaining Group is expected to purchase 10,200 tonnes, 10,300 tonnes and 10,800 tonnes of sugar, respectively, from COFCO Group. This is estimated to account for 12.75%, 11.44% and 11.37% of the total volume of sugar to be purchased by the Remaining Group for the years 2006 to 2008.

The Directors assume that the business of both the COFCO Group and the Remaining Group relating to the subject matter of the Mutual Supply Agreement will continue to grow and the need for the mutual provision of products and materials between the COFCO Group and the Remaining Group will continue to increase. Based on the pro-forma historical transaction values for the above transactions, it is expected that pursuant to the Mutual Supply Agreement the annual expenditures in respect of production supplies to be provided by the COFCO Group to the Remaining Group for the years ending 31 December 2006, 2007 and 2008 will not exceed RMB38.0 million, RMB41.0 million and RMB43.0 million (equivalent to approximately HK\$36.5 million, HK\$39.4 million and HK\$41.3 million), respectively. Although the historical transaction values decreased significantly in 2005 and in the first six months of 2006 due to the reasons mentioned above, in arriving at the annual caps, the Directors have considered the above-mentioned increase in sugar production capability of the COFCO Group as well as the expected increase of the amount of sugar to be purchased by the Remaining Group in the vicinity of Xinjiang.

Listing Rules implications

Based on the pro-forma aggregate expenditures payable by the Remaining Group for the provision of bottle crowns and sugar for the year ended 31 December 2005, the applicable percentage ratios (as defined in the Listing Rules) in respect of the Remaining Group for such continuing connected transactions are on an annual basis less than 2.5% but more than 0.1%, which would normally be exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. However, in this case, based on the aggregation with the transactions described in 5.2.1 below, Independent Shareholders' approval would be sought at the SGM.

Based on the pro-forma aggregate amounts payable by the COFCO Group for the provision of Shaoxing Wines for the year ended 31 December 2005, the applicable percentage ratios (as defined in the Listing Rules) in respect of the Remaining Group for such continuing connected transactions are on an annual basis less than 0.1%, which would constitute de minimis transactions for the Remaining Group under Chapter 14A of the Listing Rules after completion of the Reorganisation and Spin-off and would be exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

5.1.2 Financial Services Agreement

COFCO Finance is a non-banking financial institution approved and regulated by the PBOC and the CBRC. It provides various financial services to the COFCO Group and/or its associated companies in the PRC. Prior to the Reorganisation, the Group has been taking loans from COFCO Finance. After the Reorganisation and the Spin-off, COFCO Finance will continue to provide loans to the

Remaining Group, although the Remaining Group will also utilise the services of other financial institutions in and outside of the PRC.

The main reasons for the retention of COFCO Finance for the provision of certain financial services are as follows:

- the rates on loans offered by COFCO Finance to the Remaining Group are equal to or better than those offered by other commercial banks;
- COFCO Finance is regulated by the PBOC and the CBRC and provides its services in accordance with the rules and operational requirements of these regulatory authorities; and
- as the customers of COFCO Finance are limited to entities within the COFCO Group, COFCO Finance is more familiar with such entities and their respective business and assets than commercial banks and therefore it is able to provide better and more efficient services.

To regulate the relationship between the parties in this respect, the Company entered into a financial services agreement (“**Financial Services Agreement**”) with COFCO Finance on 8 October 2006, pursuant to which COFCO Finance has agreed to provide loans to the Remaining Group. The principal terms and conditions of the Financial Services Agreement are as follows:

- the Financial Services Agreement is for a term commencing from its effective date to 31 December 2008;
- subject to compliance with the terms and conditions of the Financial Services Agreement, COFCO Finance shall be appointed as one of the financial institutions to provide loans to the Remaining Group;
- the terms and conditions for the provision of financial services to the Remaining Group at any time shall be not less favourable than those provided by COFCO Finance to other members of the COFCO Group and shall be not less favourable than the same type of financial services provided by other financial institutions to the Remaining Group; and
- the interest rate for loans provided to the Remaining Group by COFCO Finance shall not be higher than the highest limit fixed by the PBOC for the same type of loans and, subject to the above, the interest rate charged on the loans to the Remaining Group shall be (1) the same as or lower than the rate charged by COFCO Finance to other members of the COFCO Group for the same type of loans or (2) equal to or lower than the rate charged by normal commercial banks in the PRC for the same type of loans.

The Board believes that provision of financial assistance is in the best interest of the Remaining Group and on normal commercial terms or better.

Loans granted to the Remaining Group	2003	Historical data for the		
		year ended December 31	six months ended	
		2004	2005	June 30, 2006
		<i>(RMB in millions)</i>		
The outstanding balance as at the last day				
– of loans provided by COFCO Finance	268.0	414.5	447.0	440.0
– of entrusted loans provided by COFCO through COFCO Finance	–	55.0	55.0	55.0
– of entrusted loans provided by COFCO Coca-Cola Beverage (China) Investment Ltd. through COFCO Finance	–	57.9	–	–
Maximum daily outstanding principal				
– of loans provided by COFCO Finance	268.0	414.5	606.5	440.0
– of entrusted loans provided by COFCO through COFCO Finance	–	55.0	55.0	55.0
– of entrusted loans provided by COFCO Coca-Cola Beverages (China) Investment Ltd. through COFCO Finance	–	57.9	–	–

Listing Rules implications

As loans from COFCO Finance to the Remaining Group would amount to the provision of financial assistance by a connected person for the benefit of the Remaining Group, the loans from COFCO Finance to the Remaining Group would therefore be exempted from all reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules.

5.1.3 Trademarks Licence Agreement with GSSL

COFCO Foods, an indirectly wholly owned subsidiary of the Company incorporated in the PRC, and Grand Silver Services Limited (“GSSL”), an indirectly 60% owned subsidiary of COFCO, entered into a trademarks licence agreement (“GSSL Trademarks Licence Agreement”) dated 8 October 2006.

Pursuant to the GSSL Trademarks Licence Agreement, GSSL granted to COFCO Foods rights to use and sub-licence the PRC-registered trademarks owned by it, namely “福臨門” (fulinmen) and “Fortune” as well as in the form of a logo on every product falling within the category of edible oil on a free-royalty basis. GSSL has undertaken that, except for the existing trademarks licences to certain associates of China Agri, GSSL will not transfer to or licence any other persons to use the above mentioned trademarks without the prior written consent of COFCO Foods. The trademarks are licensed to COFCO Foods under the GSSL Trademarks Licence Agreement for a term from its effective date to 16 May 2008. GSSL has agreed to maintain at its own cost the registration of such trademarks during the term of the GSSL Trademarks Licence Agreement and be responsible for any expenses for enforcement against any infringement of the licensed trademarks by any third party. The terms of the GSSL Trademarks Licence may be re-negotiated three months before its expiry.

Listing Rules implications

The Trademark Licence Agreement was entered into and carried out on a free-royalty basis, which constitutes a de minimis transaction for the Remaining Group under Chapter 14A of the Listing Rules and would be exempted from the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

5.2 Between the Remaining Group and the China Agri Group

Upon completion of the Spin-off, the following transactions between the Remaining Group and the China Agri Group will constitute continuing connected transactions under Chapter 14A of the Listing Rules:

5.2.1 Supply and Packaging of Consumer-pack Edible Oil

COFCO Foods and China Agri entered into a supply and packaging agreement (“**Supply and Packaging Agreement**”) dated 8 October 2006, pursuant to which certain associates of China Agri will supply and pack bulk edible oil, under the instructions of COFCO Foods from time to time, into consumer-pack edible oil which will be labelled using trademarks owned by or licensed for use by COFCO Foods. It has been agreed between COFCO Foods and China Agri that the associates of China Agri will provide packaging and labelling of the consumer-pack edible oil only when instructed by and according to the instructions of COFCO Foods and the supply and packaging shall be conducted in accordance with the specifications set by COFCO Foods. There are no exclusive obligations of the parties under the Supply and Packaging Agreement, that is, COFCO Foods may purchase bulk edible oil and receive packaging services from any third party, while China Agri and its associates may supply and package bulk edible oil to any third party. COFCO Foods intends to

diversify its purchase to third parties other than China Agri after the Spin-off; China Agri also intends to sell to third parties other than COFCO Foods after the Spin-off. The price payable by COFCO Foods will be agreed between the parties by reference to the prevailing market price. The Supply and Packaging Agreement is for a term from its effective date to 31 December 2008 and may be renewed upon mutual agreement between the parties. The Supply and Packaging Agreement was negotiated on an arm's-length basis and its terms represent normal commercial terms.

For the years ended 31 December 2003, 2004 and 2005 and the six months ended 30 June 2006, the pro-forma aggregate values of the edible oil supplied by the associates of China Agri to COFCO Foods, being the subject matter of the Supply and Packaging Agreement, would have been approximately RMB1,188.0 million, RMB1,745.7 million, RMB1,786.3 million and RMB692.9 million (equivalent to approximately HK\$1,120.8 million, HK\$1,646.9 million, HK\$1,696.4 million and HK\$669.5 million), respectively.

The Directors assume that the Consumer-pack Edible Oil Business will continue to grow and therefore the need for the oil to be purchased from the associates of China Agri will continue to increase. Based on the pro-forma historical values for the above transactions, it is expected that pursuant to the Supply and Packaging Agreement the annual values of edible oil to be purchased by COFCO Foods from the associates of China Agri for the years ending 31 December 2006, 2007 and 2008 will not exceed approximately RMB2,220.0 million, RMB3,183.0 million, and RMB3,810.0 million (equivalent to approximately HK\$2,134.6 million, HK\$3,060.6 million and HK\$3,663.5 million), respectively.

The amount for the year ending 31 December 2006 is set on the basis that (1) the peak season for sale of consumer-pack edible oil is normally in the second half of a year and the amount to be purchased from the associates of China Agri is expected to increase significantly in the second half of 2006, (2) natural industry growth rate for consumer-pack edible oil is around 20%, and (3) COFCO Foods has enhanced its marketing and promotion strategies for the expected increase in demand for consumer-pack edible oil in the second half of 2006. In determining the caps for 2007 and 2008, the Company has taken into account the expected industry growth rate for consumer-pack edible oil and the marketing and promotion plans of COFCO Foods in 2007 and 2008.

Listing Rules implications

Based on the pro-forma historical values for the year ended 31 December 2005, the applicable percentage ratios (as defined in the Listing Rules) in respect of the Remaining Group for such continuing connected transactions under the Supply and Packaging Agreement are on an annual

basis more than 2.5%, which would be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

5.2.2 Trademark Licence Agreement with the China Agri Group

As part of the Reorganisation, most of the intellectual property rights, particularly trademarks, which relate to the production and sale of oil, rice and flour were retained by COFCO Foods. On 8 October 2006, COFCO Foods and China Agri entered into an agreement in respect of trademark licences between COFCO Foods and certain associates of China Agri ("**China Agri Trademark Licence Agreement**"), pursuant to which:

- in connection with the Supply and Packaging Agreement, COFCO Foods will grant to certain associates of China Agri, as designated by COFCO Foods, a right to use certain trademarks (including “四海” (sihai)) falling within the category of edible oil, and patents owned by COFCO Foods, only for the purpose of supplying and packaging consumer-pack edible oil by the associates of China Agri for sale and distribution by COFCO Foods ("**Consumer-pack Edible Oil Trademark Licence**");
- COFCO Foods will grant, to certain associates of China Agri a right to use certain trademarks falling within the category of edible oil, and patents owned by COFCO Foods, for the production and sale of bulk edible oil by the associates of China Agri ("**Bulk Edible Oil Trademark Licence**");
- COFCO Foods will grant to certain associates of China Agri, as designated by COFCO Foods, a right to use certain trademarks falling within the categories of rice, flour and bread, and patents owned by COFCO Foods, for (i) supplying such products for sale and distribution by COFCO Foods ("**Non Oil-related Products Supply Licence**") and (ii) production and sale of such products by the associates of China Agri ("**Non Oil-related Products Sale Licence**");
- all the above trademarks licensed in the China Agri Trademark Licence Agreement should be in the form of Romanised spelling (Pinyin), Chinese characters or in the form of a logo;
- the licences under the China Agri Trademark Licence Agreement are granted on a free-royalty basis; and

- the term for the Consumer-pack Edible Oil Trademark Licence, Bulk Edible Oil Trademark Licence and Non Oil-related Products Supply Licence is 10 years, and the term for the Non Oil-related Products Sale Licence is two years, each from the effective date of the relevant licence agreement.

There were no historical figures since no such licences were granted by COFCO Foods during the track record period.

Listing Rules implications

As intellectual property rights under the China Agri Trademark Licence Agreement are granted on a free-royalty basis, the transactions will constitute de minimis transactions for the Company under Rule 14A.33 of the Listing Rules and would be exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

5.3 Other Continuing Connected Transactions

Upon completion of the Reorganisation, the following transactions will constitute continuing connected transactions under Chapter 14A of the Listing Rules:

5.3.1 Continuing Connected Transactions with The Coca-Cola Company and its associates

Pursuant to a joint venture and shareholders' agreement dated 14 April 2000 entered into between The Coca-Cola Company, Coca-Cola Holdings (Asia) Limited ("**Coca-Cola (Asia)**"), COFCO, COFCO Beverages Limited (incorporated in Hong Kong) and COFCO Beverages, The Coca-Cola Company holds a 35% interest through its wholly owned subsidiary, Coca-Cola (Asia), in Beverages JV, which will become a subsidiary of the Company upon completion of the Reorganisation. According to the Listing Rules, Coca-Cola (Asia) is a substantial shareholder (as defined in the Listing Rules) in one of the Company's subsidiaries, and therefore, The Coca-Cola Company, as the controlling shareholder of Coca-Cola (Asia), and its associates are connected persons of the Company for the purpose of the Listing Rules.

A memorandum of understanding ("**MOU**") was entered into between The Coca-Cola Company and COFCO on 15 September 2006 whereby COFCO agreed to procure each of the bottlers authorised by The Coca-Cola Company in the PRC in which Beverages JV directly or indirectly holds majority interests or holds management control, either alone or jointly with subsidiaries or affiliates of COFCO, to enter into a bottler's agreement with The Coca-Cola Company, details of which are set out below:

(a) *Bottler's Agreements*

The Coca-Cola Company enters into standard bottler's agreements with bottlers inside and outside the United States authorising the manufacture and distribution of beverages of The Coca-Cola Company within defined territories. The Coca-Cola Company authorises suppliers to sell concentrate to bottlers for use in the manufacture of such beverages. A number of bottler's agreements ("**Bottler's Agreements**") will be entered into between The Coca-Cola Company and the operating subsidiaries of Beverages JV (collectively "**Bottlers**" and individually, "**Bottler**"). Pursuant to the Bottler's Agreements:

- a. *Exclusivity.* The Coca-Cola Company is the sole owner of the formulae for Coca-Cola concentrate and beverage base for other Coca-Cola Beverages. The Coca-Cola Company shall grant rights to the Bottlers to sell and distribute specified beverages of The Coca-Cola Company in specified containers, specifically identified in each of the Bottler's Agreements, in their respective territories. The Coca-Cola Company will refrain from authorising third parties to sell or distribute Coca-Cola Beverages except in specified circumstances stated in the Bottler's Agreements. The Coca-Cola Company will retain the rights to produce or authorize third parties to produce and pack Coca-Cola products mentioned in the Bottler's Agreements within the territories of each Bottler for sale outside the territory of that Bottler;
- b. *Supply of Concentrate.* The Coca-Cola Company or its authorized suppliers will supply all of the Bottlers' demands for the concentrate or beverage base. The Coca-Cola Company sells concentrate and beverage base to Bottlers at prices that The Coca-Cola Company determines from time to time at its sole discretion;
- c. *Packaging.* The Bottlers will be authorised to package, distribute and sell the products of The Coca-Cola Company in containers authorized by The Coca-Cola Company. The Coca-Cola Company has the right to determine, in its sole discretion, the type of packages and containers used to contain The Coca-Cola Company's beverages, including their size, shape and other attributes. Bottlers should purchase all containers, cases and other packaging materials and labels from manufacturers approved by The Coca-Cola Company.
- d. *Trademarks Authorisation.* The Coca-Cola Company is the sole owner of the trademarks that identify The Coca-Cola Company's beverages, which will be specifically identified in each of the Bottler's Agreements. The Coca-Cola Company will grant the Bottlers the rights to use these trademarks in the production, packaging, distribution and sale of The Coca-Cola Company's beverages in each of their authorised territories. No royalty or fee will be payable for the use of its trademarks;

- e. *Pricing.* The Coca-Cola Company will reserve the right, to the extent permitted by law applicable in each relevant territory, to establish and to revise, by giving written notice to Bottlers, maximum prices at which beverages in approved containers may be sold by Bottlers to wholesalers and retailers and to authorise the retail sales of the beverages at prices which are lower than such maximum prices;
- f. *Term.* Each of the Bottler's Agreements will be for a period of not more than five years; and
- g. *Termination.* In addition to other termination clauses as specified in the agreement, either party to a Bottler's Agreement may, with 60 days' written notice to the other party, terminate the Bottler's Agreement in the event of non-compliance by the other party with its terms and such non-compliance is not rectified during such notice period.

The terms of the Bottler's Agreements were negotiated on an arm's-length basis and represent normal commercial terms.

Listing Rules implications

Although the Bottler's Agreements provide for the adjustment of prices of Coca-Cola Beverages, the actual purchase of Coca-Cola concentrate is prescribed by a separate concentrate purchase agreement, details of which are provided below. As no transaction values are involved, the transactions under the Bottler's Agreements will constitute de minimis transactions for the Remaining Group under Chapter 14A.33(3) of the Listing Rules after the Reorganisation and would be exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(b) Concentrate and Beverage Base Purchase

Coca-Cola (China) Beverages Co., Ltd. ("**Coca-Cola China**") and Tianjin Jin-Mei Beverages Co., Ltd. ("**Jinmei**"), both indirect subsidiaries of The Coca-Cola Company, supply and will continue to supply certain concentrate and beverage base for the beverages of The Coca-Cola Company to certain Bottlers. Concentrate purchase agreements ("**Concentrate Purchase Agreements**") and beverage base purchase agreements ("**Beverage Base Purchase Agreements**") were entered into between the Bottlers and Coca-Cola China as well as between the Bottlers and Jinmei respectively.

Pursuant to the Concentrate Purchase Agreements, the Bottlers purchase from Coca-Cola China the concentrate for certain beverages of The Coca-Cola Company at prices negotiated between the parties, which may be renegotiated by a party giving the other party one month's written notice. The

term of each Concentrate Purchase Agreement is three years from 1 January 2006 to 31 December 2008. The quality of the concentrate supplied should be in accordance with specifications set by relevant authorities and Coca-Cola China.

Pursuant to the Beverage Base Purchase Agreements, the Bottlers purchase from Jinmei the base for certain beverages of The Coca-Cola Company at prices determined by Coca-Cola China. The term of each Beverage Base Purchase Agreement is one year from 1 January 2006 to 31 December 2006. The quality of the beverage base supplied should be in accordance with specifications set by relevant authorities and Coca-Cola China.

Concentrate Purchase Agreements and Beverage Base Purchase Agreements were both negotiated on an arm's-length basis and their terms represent normal commercial terms.

For the years ended 31 December 2003, 2004 and 2005 and the six months ended 30 June 2006, the aggregate values of the concentrate and beverage base purchased by the Bottlers from Coca-Cola China and Jinmei were approximately RMB275.7 million, RMB310.9 million, RMB363.8 million and RMB215.3 million (equivalent to approximately HK\$260.1 million, HK\$293.3 million, HK\$345.5 million and HK\$208.0 million), respectively.

The Directors assume that the Company's beverage business will continue to grow and the need for the concentrate and beverage base to be purchased from Coca-Cola China and Jinmei will continue to increase. Based on the above historical transaction values, it is expected that pursuant to the Concentrate Purchase Agreements and Beverage Base Purchase Agreements, the annual values of the concentrate and beverage base to be purchased by the Bottlers from Coca-Cola China and Jinmei for the year ending 31 December 2006 would not exceed approximately RMB405.9 million (equivalent to approximately HK\$390.3 million) and the annual values of the concentrate to be purchased by the Bottlers from Coca-Cola China for the years ending 31 December 2007 and 2008 would not exceed approximately RMB460.9 million and RMB564.4 million (equivalent to approximately HK\$443.2 million and HK\$542.7 million), respectively. The annual value of the beverage base to be purchased by the Bottlers from Jinmei is merely forecasted for the year ending 31 December 2006 as the Beverage Base Purchase Agreements will expire on 31 December 2006.

Listing Rules implications

Based on the historical values for the year ended 31 December 2005, the applicable percentage ratios (as defined in the Listing Rules) in respect of the continuing connected transactions under the Concentrate Purchase Agreements and the Beverage Base Purchase Agreements are on an annual basis more than 2.5%, and therefore the transactions will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

5.3.2 Purchase of Packaging Materials from Tianjin Zi Jiang Packaging Company Limited

Tianjin Shifa Group Co., Ltd. (“**Tianjin Shifa**”) holds a 35% interest in a non-wholly owned subsidiary of the Company, Tianjin Coca-Cola Bottling Company Limited (“**Tianjin Coca-Cola**”) and also holds 40% in Tianjin Shifa Zi Jiang Packaging Co., Ltd. (“**Zijiang**”). According to the Listing Rules, Tianjin Shifa is a substantial shareholder (as defined in the Listing Rules) of one of the Company’s subsidiaries, and therefore, Tianjin Shifa is a connected person of the Company. Zijiang is an associate of Tianjin Shifa and is therefore also a connected person of the Company for the purpose of the Listing Rules.

Zijiang is one of the companies approved by The Coca-Cola Company to manufacture packaging materials for the beverages of The Coca-Cola Company. Tianjin Coca-Cola entered into an agreement with Zijiang for the purchase of packaging materials from Zijiang in August 2001 (“**Packaging Materials Purchase Agreement**”). The price payable by Tianjin Coca-Cola to Zijiang is negotiable between the parties by reference to the prevailing market price. The term of the Packaging Materials Purchase Agreement is for a period of five years from the signing date to 31 August 2006. In August 2006, a supplementary agreement was entered into by Zijiang and Tianjin Coca-Cola to extend the Packaging Materials Purchase Agreement to the end of November 2006 on the terms and conditions set out in the Packaging Materials Purchase Agreement. The Packaging Materials Purchase Agreement and its supplementary agreement were both negotiated on an arm’s-length basis and their terms represent normal commercial terms.

For the years ended 31 December 2003, 2004 and 2005 and the six months ended 30 June 2006, the aggregate values of the packaging materials purchased by Tianjin Coca-Cola from Zijiang, were approximately RMB90.2 million, RMB99.2 million, RMB104.7 million and RMB58.1 million (equivalent to approximately HK\$85.1 million, HK\$93.6 million, HK\$99.4 million and HK\$56.1 million), respectively.

Based on the above historical transaction values and anticipated growth in the business, it is expected that the transaction values of the packaging materials to be purchased by Tianjin Coca-Cola from Zijiang for the 11 months ending 30 November 2006 will not exceed approximately RMB107.2 million (equivalent to approximately HK\$103.1 million).

Listing Rules implications

Based on the historical values for the year ended 31 December 2005, the applicable percentage ratios (as defined in the Listing Rules) in respect of the Remaining Group for such continuing connected transactions are on an annual basis more than 0.1% but less than 2.5%. Therefore, the

transactions under the Packaging Materials Purchase Agreement and its supplementary agreement for the 11 months ending 30 November 2006 would be exempted from the independent shareholders' approval but would be subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

5.4 Existing continuing connected transactions

5.4.1 Sale of wine and wine-related products

On 26 February 2004, the Stock Exchange granted a waiver to the Company from strict compliance with the relevant requirements of the Listing Rules in respect of certain continuing connected transactions (the "**Waived Continuing Connected Transactions**"). Such waiver will expire on 31 December 2006. Please refer to the announcement and circular of the Company both dated 12 December 2003 for the background and conditions of the waiver.

Most of the Waived Continuing Connected Transactions will be eliminated upon completion of the Reorganisation and the Spin-off. Nonetheless, the Remaining Group will continue to sell wine and wine-related products (the "**Wine Products**") to COFCO and its associates as detailed below.

COFCO Wines & Spirits Holdings Limited, a wholly owned subsidiary of the Company, and its subsidiaries (collectively, the "**COFCO Wines & Spirits Group**") sell Wine Products to COFCO and its associates.

Sales of Wine Products by the COFCO Wines & Spirits Group to COFCO and its associates for the three years ended 31 December 2003, 2004 and 2005 and the six months ended 30 June 2006 amounted to approximately HK\$14.0 million, HK\$16.8 million, HK\$27.6 million and HK\$18.9 million, respectively.

On 8 October 2006, COFCO and COFCO Wines & Spirits Holdings Limited entered into an agreement ("**Wine Products Sale and Purchase Agreement**"), pursuant to which COFCO Wines & Spirits Group will continue to sell Wine Products to COFCO and its associates and the price payable by COFCO and its associates will be agreed between the parties thereto by reference to the prevailing market price. The Wine Products Sale and Purchase Agreement is for a term from its effective date to 31 December 2008 and may be renewed upon mutual agreement between the parties. The Wine Products Sale and Purchase Agreement was negotiated on an arm's-length basis and its terms represent normal commercial terms.

The Directors assume that the business of the COFCO Wines & Spirits Group will continue to grow and the need for the sale of the Wine Products of the COFCO Wines & Spirits Group to COFCO and its associates will continue to increase. Based on the historical values of the sales of the Wine Products, it is expected that the annual revenue in respect of Wine Products sold by the COFCO Wines & Spirits Group to COFCO and its associates for the years ending 31 December 2007 and 2008 will not exceed HK\$50.0 million and HK\$63.0 million, respectively.

Listing Rules implications

Based on the amount of the sales of Wine Products by the COFCO Wines & Spirits Group to COFCO and its associates, the applicable percentage ratios (as defined in the Listing Rules) in respect of the Remaining Group for such transactions are on an annual basis more than 0.1% but less than 2.5%, which would be exempted from the independent shareholders' approval requirements but would be subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

5.4.2 Tenancy agreement

On 4 January 2006, Blissea Consortium Company Limited ("**Blissea**"), an indirectly wholly owned subsidiary of the Company, entered into a tenancy agreement (the "**Top Glory Tenancy Agreement**") with Bapton Company Limited ("**Bapton**"), a wholly owned subsidiary of COFCO (HK), for the lease of certain office space in Top Glory Tower in Hong Kong for a period of two years from 1 January 2006 to 31 December 2007. Under the Top Glory Tenancy Agreement the rentals and management fees, excluding government rates and services charges, for each of the years ending 31 December 2006 and 2007 will not exceed HK\$885,411.00. Details of the tenancy were disclosed by the Company in an announcement published on 6 January 2006.

On 8 October 2006, Blissea, Global Lander Limited, a wholly owned subsidiary of the Company, and Bapton entered into a novation deed (the "**Novation Deed**") pursuant to which the rights and obligations of Blissea under the Top Glory Tenancy Agreement were respectively transferred to and assumed by Global Lander Limited and Bapton agreed, from the effective date of the Novation Deed, to release and discharge Blissea from the Top Glory Tenancy Agreement.

Listing Rules implications

Based on the amount of the aggregate rental and management fees under the Top Glory Plaza Tenancy Agreement, the applicable percentage ratios (as defined in the Listing Rules) in respect of the Remaining Group for such transactions are on an annual basis less than 0.1%, which would

therefore, be exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

5.5 Reasons for the Continuing Connected Transactions

The Directors are of the view that, concurrent with the Reorganisation and the Spin-off, it is necessary to enter into new agreements and maintain certain existing agreements to govern the Continuing Connected Transactions in order to provide certainty to the terms of the Continuing Connected Transactions and in order to ensure compliance with the PRC laws and regulations and the Listing Rules.

The Directors (other than the independent non-executive directors, whose views and opinions will be included in the circular to be despatched to the Shareholders) are of the opinion that the Continuing Connected Transactions outlined above were or will be (as the case may be) entered into and carried out in the ordinary and usual course of business of the Remaining Group and on normal commercial terms which are fair and reasonable and are in the interests of the Shareholders and the Company as a whole, and that each of the caps set out above is fair and reasonable.

6. SPECIAL DIVIDEND

The Board currently intends, conditional upon preliminary approval from the Listing Committee of the Stock Exchange for the listing of China Agri Shares on the main board of the Stock Exchange by way of Introduction, to declare the Special Dividend by way of a distribution in specie of the existing China Agri Shares held by the Company to the Qualifying Shareholders whose names appear on the Register on the Special Dividend Record Date.

The Company will publish a press announcement setting out details, as applicable, of the Listing Date and the declaration of the Special Dividend, as required under the Listing Rules, and will issue a separate announcement in relation to the Special Dividend Record Date and the basis of distribution of the Special Dividend.

7. SHARE OPTION SCHEMES

7.1 Adjustment in relation to the terms of exercise of the options under the Existing Share Option Scheme

In light of the anticipated changes to the capital and structure of the Company as a result of the Reorganisation and the Spin-off, the Board proposes to adjust the vesting period applicable for

exercising outstanding options granted under the Existing Share Option Scheme, subject to the approval of the Shareholders at the SGM.

Currently, there are 27,562,000 Shares which are the subject of outstanding options granted under the Existing Share Option Scheme (“**Outstanding Options**”). Of these, options in respect of 7,716,000 Shares would not become exercisable (“**Non-exercisable Options**”) until 20 August 2007. Given that the capital and structure of the Company are anticipated to change after the Reorganisation and the Spin-off, the Board proposes to amend the terms of the Non-exercisable Options to allow the Non-exercisable Options to become exercisable prior to the Spin-off and in any event, before the Special Dividend Record Date, subject to and upon the approval of the Shareholders at the SGM. Shareholders with any material interest in this proposed amendment of the terms of the Non-exercisable Options shall be excluded from voting on this matter at the SGM.

The Directors confirm that they will not grant any new options under the Existing Share Option Scheme prior to the SGM. Currently, the Company has no other share option scheme other than the Existing Share Option Scheme.

Upon the adoption of the New Share Option Scheme (as detailed below), the Board will terminate the operation of the Existing Share Option Scheme without prejudice to the rights and benefits of and attached to the Outstanding Options.

7.2 Adoption of the New Share Option Scheme

The Board proposes to adopt the New Share Option Scheme for the Company, subject to the approval of the Shareholders.

The total issued share capital of the Company as at the date hereof is HK\$178,508,197.40 comprising 1,785,081,974 Shares.

Assuming that there is no change in the issued share capital between the period from the date hereof to the date of the adoption of the New Share Option Scheme, the total number of Shares issuable pursuant to the New Share Option Scheme on the date of its adoption would be 178,508,197 representing 10% of the Company’s issued share capital as at the date of the adoption of the New Share Option Scheme.

The New Share Option Scheme will constitute a share option scheme governed by Chapter 17 of the Listing Rules and the adoption of such scheme is subject to the approval of Shareholders at the SGM.

The purpose of the New Share Option Scheme is to motivate participants thereunder and provide them with opportunities to have proprietary stakes in the Company and link their interests closely with the performance of the Company and the Shares so as to enhance the value of the Company.

The New Share Option Scheme is conditional upon, among other things:

- (i) the passing of an ordinary resolution to adopt the New Share Option Scheme by the Shareholders of the Company at the SGM (such outcome to be the subject of a separate announcement to be published on the business day following the SGM);
- (ii) the Stock Exchange granting approval for the listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of options under the New Share Option Scheme; and
- (iii) if necessary, the State-owned Assets Supervision and Administration Commission granting its approval for the New Share Option Scheme.

Application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the options granted under the New Share Option Scheme.

7.3 Adoption of the China Agri Share Option Scheme

The China Agri Share Option Scheme constitutes a share option scheme governed by Chapter 17 of the Listing Rules and the adoption of such scheme is subject to the approval of Shareholders at the SGM.

The purpose of the China Agri Share Option Scheme is to motivate participants thereunder and provide them with opportunities to have proprietary stakes in China Agri, link their interests closely with the performance of China Agri and China Agri Shares so as to enhance the values of China Agri.

The China Agri Share Option Scheme is conditional upon, among other things:

- (a) the passing of an ordinary resolution to adopt the China Agri Share Option Scheme by the Company, China Agri's sole shareholder, and by the Shareholders at the SGM (such outcome to be one of the subjects of a separate announcement to be published on the business day following the SGM);

- (b) the obligations of the underwriters under the underwriting agreements in respect of the Global Offering becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the relevant underwriters) and not being terminated in accordance with the terms of the respective underwriting agreements or otherwise;
- (c) the Listing Committee granting approval of the listing of, and permission to deal in, (i) China Agri Shares in issue and to be issued as detailed in the Prospectus and (ii) any China Agri Shares to be issued pursuant to the exercise of the options under the China Agri Share Option Scheme;
- (d) the commencement of dealings in China Agri Shares on the Stock Exchange; and
- (e) if necessary, the State-owned Assets Supervision and Administration Commission granting its approval for the China Agri Share Option Scheme.

8. CHANGE OF COMPANY NAME

The Directors propose to change the name of the Company from “COFCO International Limited” in English and “中國糧油國際有限公司” in Chinese to “China Foods Limited” in English and “中國食品有限公司” in Chinese, respectively.

Reasons and conditions for change of company name

Upon completion of the Reorganisation and the Spin-off, the Remaining Group will be mainly engaged in Food and Beverage Business. The Board considers the change of company name could reflect more accurately the focus of the Remaining Group on Food and Beverage Business after the Reorganisation and the Spin-off. The Board is also of the opinion that the proposed change of name of the Company is in the interests of the Company and the Shareholders. The Remaining Group will maintain its existing business after such change of name.

The proposed change of company name is conditional upon (i) the passing of a special resolution by the Shareholders approving the change of company name at the SGM; (ii) the approval of the English name by the Registrar of Companies in Bermuda and the approval of the Chinese name by the Registrar of Companies in Hong Kong for the purpose of registration under Part XI of the Hong Kong Companies Ordinance; and (iii) the Spin-off becoming unconditional. Upon registration of the new names of the Company with the Registrar of Companies in Bermuda and Hong Kong, respectively, the share certificates bearing the Company’s former name will continue to be evidence of title and valid for trading, settlement and registration purposes. A further announcement will be

made by the Company when the change of name has become effective. Arrangements for free exchange of existing share certificates for new ones bearing the new name of the Company will be announced in due course.

9. INCREASE OF AUTHORISED SHARE CAPITAL OF THE COMPANY

In connection with the Reorganisation and the New Share Option Scheme, it is proposed that, subject to the approval of the Shareholders, the authorised share capital of the Company be increased from HK\$250,000,000 to HK\$400,000,000 by the creation of additional 1,500,000,000 Shares of nominal value HK\$0.10 each, such new Shares ranking pari passu in all respects with the existing issued and unissued Shares of nominal value HK\$0.10 each in the authorised share capital of the Company.

10. APPOINTMENT OF NEW EXECUTIVE DIRECTOR

The Board is pleased to announce that Mr. Mak Chi Wing, William has been appointed as an executive director of the Company with effect from 6 October 2006.

Mr. Mak, 45, currently holds the position of Chief Financial Officer of COFCO (HK). He graduated from the University of British Columbia in Canada with a Bachelor of Commerce Degree in Finance. Mr. Mak is a member of the Institute of Management Accountants, Institute of Internal Auditors, Association of Certified Fraud Examiners, Information Systems Audit and Control Association and an International Affiliate of the Hong Kong Institute of Certified Public Accountants. He joined COFCO (HK) in May 2006, and brought with him extensive corporate governance experience from Philips Electronics where he worked for over 15 years.

As at the date hereof, Mr. Mak does not have any interest in the Shares of the Company which is required to be disclosed under Part XV of the Securities and Futures Ordinance. Save as disclosed herein, Mr. Mak is not connected with any directors, senior management or substantial shareholders or controlling shareholders of the Company, and has not held any directorship in any other listed company in the last three years.

As at the date hereof, there is no service contract between the Company and Mr. Mak. His appointment does not provide for a specified length of service period. The director's fee payable by the Company to Mr. Mak will be determined with reference to general market levels for directors' fees in Hong Kong, and also current fees payable to the other directors of the Company per annum on a pro-rata basis from the date of his appointment subject to the approval of the Shareholders of the Company in an annual general meeting.

Pursuant to the Listing Rules, Mr. Mak will retire, and being eligible, offer himself for re-election at the SGM.

11. SPECIAL GENERAL MEETING

A circular containing, among other things, details of the subject matters of this announcement together with a notice convening the SGM of the Company to be held for the purpose of considering and, if thought fit, passing the resolutions in relation to the Master Sale and Purchase Agreement, certain Continuing Connected Transactions, the New Non-competition Deed and the termination of the Existing Non-competition Deed, adoption of the New Share Option Scheme and China Agri Share Option Scheme, adjustment of the Existing Share Option Scheme, change of company name, increase of authorised share capital of the Company and re-election of director will be despatched to Shareholders as soon as possible.

The Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Master Sale and Purchase Agreement, certain Continuing Connected Transactions, the New Non-competition Deed and the termination of the Existing Non-competition Deed. DBS Asia Capital Limited has been appointed to advise the Independent Board Committee and Independent Shareholders in this respect.

12. DEFINITIONS

“Agri-Industrial Business”	businesses involving the processing of agricultural raw materials to produce products for wholesale, industrial or foodstuffs production uses, such as (i) processing of corn and other agricultural raw materials to make biofuel and biochemical products, (ii) processing of oilseed to produce vegetable oils and fats and oilseed meals, (iii) the trading and processing of rice, (iv) processing of barley to produce brewing malt for beer and the importation and distribution of malting barley in the PRC, and (v) processing of wheat to produce wheat flour and flour products, or any combination thereof
“associate(s)”	has the meaning given to that term in the Listing Rules
“Beverages JV”	COFCO Coca-Cola Beverages Limited, a limited liability company incorporated in Hong Kong

“Board”	the board of Directors of the Company
“BVI”	the British Virgin Islands
“CBRC”	China Banking Regulatory Commission
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China Agri”	China Agri-Industries Limited, a limited liability company incorporated in Bermuda and a directly wholly owned subsidiary of the Company
“China Agri Group”	China Agri and its subsidiaries
“China Agri Shares”	ordinary shares of nominal value HK\$0.10 each in the share capital of China Agri
“China Agri Share Option Scheme”	the share option scheme proposed to be conditionally adopted by China Agri
“COFCO”	China National Cereals, Oils & Foodstuffs Corporation, a state-owned enterprise in the PRC under the purview of the State-owned Assets Supervision and Administration Commission of the State Council and the ultimate controlling shareholder of the Company
“COFCO Beverages”	COFCO Beverages Limited, a limited liability company incorporated in Samoa on 12 November 1999 and an indirectly wholly owned subsidiary of COFCO(HK)
“COFCO Finance”	COFCO Finance Corporation Limited, a limited liability company incorporated in the PRC and a beneficially wholly owned subsidiary of COFCO
“COFCO Foods”	COFCO Foods Sales and Distribution Co., Ltd. (中糧食品營銷有限公司), a limited liability company incorporated in the PRC and formerly known as Shanghai

	Fortune Food Co., Ltd. (上海福臨門食品有限公司), which shall become a wholly owned subsidiary of the Company upon the completion of the Reorganisation
“COFCO Group”	COFCO and its subsidiaries (for the purpose of this announcement, excluding the Group or the Remaining Group and the China Agri Group (as the case may be))
“COFCO (HK)”	COFCO (Hong Kong) Limited, a limited liability company incorporated in Hong Kong and a directly wholly owned subsidiary of COFCO
“COFCO 99”	COFCO (BVI) No. 99 Limited, a limited liability company incorporated in the BVI and an indirectly wholly owned subsidiary of the Company
“Company”	COFCO International Limited, a limited liability company incorporated in Bermuda, the shares of which are listed on the main board of the Stock Exchange
“Completion Date”	the date as determined by the Board, following satisfaction of all relevant conditions precedent, on which the Reorganisation and, if appropriate, the Spin-off and the Global Offering, if any, shall take effect
“connected person(s)”	has the meaning given to that term in the Listing Rules
“Consideration Shares”	Shares issued at HK\$5.25 per share by the Company to COFCO (HK) credited as fully paid as part of the consideration under the Master Sale and Purchase Agreement
“Consumer-pack Edible Oil Business”	business related to, and assets used in connection with, the sales and marketing of consumer-pack edible oil under brands including “Fortune”, “福臨門” (fulinmen) and “四海” (sihai) conducted by COFCO Foods together with sales and distribution branches of major operating subsidiaries of COFCO Oils & Fats Holdings Limited (a

	directly wholly owned subsidiary of the Company, to be transferred to China Agri under the Sale and Purchase Agreement), which shall remain within the Remaining Group after the Spin-off
“Continuing Connected Transactions”	the transactions as detailed in section 5 headed “Continuing Connected Transactions” of this announcement
“controlling shareholder(s)”	has the meaning given to that term in the Listing Rules
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Company and its subsidiaries assuming completion of the Reorganisation, but before completion of the Spin-off
“Existing Non-competition Deed”	the existing deed of non-competition entered into by COFCO, COFCO (HK) and the Company on 16 May 2001
“Existing Share Option Scheme”	the existing share option scheme of the Company which was adopted by the Company on 23 June 1997 and amended on 13 May 2002
“First Reward”	First Reward Limited, a limited liability company incorporated in the BVI and a wholly owned subsidiary of the Company
“Food and Beverage Business”	business dealing with products comprising wines, beverages, confectionery and consumer-pack edible oil or any combination thereof
“Full Extent”	Full Extent Group Limited, a limited liability company incorporated in the BVI on 26 April 2006 and a directly wholly owned subsidiary of COFCO (HK) as described under section 2.3.3 of this announcement
“Global Offering”	the Public Offer and the International Placing

“Group”	the Company and its subsidiaries
“Heilongjiang Alcohol”	China Resources (Heilongjiang) Alcohol Co., Ltd., a limited liability company incorporated in the PRC
“Heilongjiang Alcohol Group”	Heilongjiang Alcohol and its subsidiary, Heilongjiang Winery
“Heilongjiang Winery”	China Resources Winery (Heilongjiang) Co., Ltd., a limited liability company incorporated in the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKFRS”	Hong Kong Financial Reporting Standards promulgated by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board comprising Messrs. Stephen Edward Clark, Tan Man Kou and Yuen Tin Fan, Francis
“Independent Shareholders”	shareholders of the Company other than COFCO (HK) and its associates for the purpose of considering and, if thought fit, approving the Master Sale and Purchase Agreement, the New Non-competition Deed and the termination of the Existing Non-competition Deed, or shareholders of the Company who are not otherwise required by the Stock Exchange to abstain from voting in respect of certain Continuing Connected Transactions (as the case may be)
“International Placing”	the proposed international placing of new and/or existing China Agri Shares in connection with the Spin-off as described in this announcement and to be further described

	in the Prospectus, including the Rule 144A offering within the United States under the exemption from registration requirement under the US America Securities Act 1933 and the offering outside the United States in accordance with the Regulation S under the US Securities Act 1933
“International Underwriters”	the underwriters of the International Placing
“Introduction”	the listing of the China Agri Shares in issue at the relevant date on the Stock Exchange by way of introduction
“Jilin Fuel”	Jilin Fuel Ethanol Co., Ltd., a limited liability company incorporated in the PRC and an indirectly 20% owned associated company of COFCO (HK)
“Jumbo Team”	Jumbo Team Group Limited, a limited liability company incorporated in the BVI on 23 May 2006 and a directly wholly owned subsidiary of COFCO (HK) as described under section 2.3.2 of this announcement
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date on which dealings in China Agri Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Master Sale and Purchase Agreement”	the Master Sale and Purchase Agreement dated 8 October 2006 entered into by COFCO, COFCO (HK), China Agri, and the Company as described under section 2.3 of this announcement
“New Non-competition Deed”	the non-competition deed entered into by COFCO, COFCO (HK) and the Company on 8 October 2006
“New Share Option Scheme”	the share option scheme proposed to be conditionally adopted by the Company

“Non-core Business”	the Group’s entire interests in Seabase International, COFCO 99 and First Reward as described under section 2.3.4 of this announcement
“Offer Price”	the final Hong Kong dollar price per China Agri Share (exclusive of brokerage fee, SFC transaction levy and Stock Exchange trading fee) at which China Agri Shares are to be subscribed for and issued pursuant to the Global Offering, as described in the Prospectus
“Operating Profit (Loss)”	the profit (loss) before tax, finance costs and share of profits and losses of associated companies and jointly controlled entities
“Over-allotment Option”	the option expected to be granted by China Agri to the International Underwriters, under the underwriting agreement relating to the International Placing, pursuant to which China Agri may be required to allot and issue additional China Agri Shares to cover over-allocations solely in the International Placing
“Overseas Shareholders”	registered holders of Shares whose addresses on the Register are outside Hong Kong at 4 p.m. on the Special Dividend Record Date, in relation to whom the applicable laws, rules or regulations require additional registrations or compliance with other procedures before the Special Dividend may be effected in relation to such Shareholders which the Company determines to be unduly burdensome or onerous on the Company, or in relation to whom the Company decides, in its sole discretion, that there are other difficulties in effecting such Special Dividend
“PBOC”	People’s Bank of China, the central bank of the PRC
“PN15”	practice note 15 of the Listing Rules

“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Taiwan, Hong Kong and Macau Special Administrative Region)
“Prospectus”	the prospectus proposed to be issued by China Agri in relation to the Global Offering
“Public Offer”	the proposed public offer of new China Agri Shares for subscription by the public in Hong Kong in connection with the Spin-off as described in this announcement and to be further described and set out in the Prospectus and the related application forms
“Qualifying Shareholder(s)”	registered holder(s) of Shares, whose names appear on the Register at 4 p.m. on the Special Dividend Record Date, other than Overseas Shareholders
“Register”	the register of members of the Company
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, Progressive Registration Limited
“Remaining Group”	the Group after completion of the Reorganisation and the Spin-off
“Reorganisation”	the reorganisation involving the transactions contemplated under the Sale and Purchase Agreement and Master Sale and Purchase Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 8 October 2006 entered into between the Company and China Agri as described under section 2.2 of this announcement
“Seabase International”	Seabase International (B.V.I.) Limited, a limited liability company incorporated in the BVI and a directly wholly owned subsidiary of the Company

“SGM”	a special general meeting of the Company to be held to approve, among other things, the Master Sale and Purchase Agreement, adoption of the New Share Option Scheme and adjustment of the Existing Share Option Scheme, adoption of the China Agri Share Option Scheme, certain Continuing Connected Transactions, the New Non-competition Deed, termination of the Existing Non-competition Deed, change of company name, increase of authorised share capital of the Company, re-election of director and the transactions contemplated in respect of the foregoing
“Shaoxing Wine”	the traditional Chinese yellow rice wine produced with water from Jian Lake (鑒湖), Shaoxing City, Zhejiang Province
“Shares”	ordinary shares of nominal value HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Special Dividend”	the proposed conditional special interim dividend by the Company by way of a distribution in specie of all of China Agri Shares held by the Company, to each of the Qualifying Shareholders whose names appear on the Register at 4 p.m. on the Special Dividend Record Date with an option to sell their entitlements to or through the International Underwriters under the International Placing
“Special Dividend Record Date”	the record date for ascertaining entitlements of Qualifying Shareholders for the Special Dividend, to be determined by the Board, which will be announced in a separate

announcement around the date on which such dividend is declared by the Board

“Spin-off”	the proposed spin-off of China Agri from the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning given to that term under section 2 of the Companies Ordinance
“US”	the United States of America
“US\$”	dollars of the United States of America, the lawful currency of the United States of America
“%”	Percentage

In this announcement, the English names of the PRC government authorities or PRC entities are translations of their Chinese names and included herein for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.

For the purposes of this announcement, translation of RMB into HK\$ has been calculated by using exchange rates as shown below.

	31 December			30 June		31 December
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2005</u>	<u>2006</u>	<u>2006-2008</u>
HK\$1 vs RMB						
Average rate for the year/period	1.060	1.060	1.053	1.060	1.035	1.040
Closing rate at end of year/period	1.060	1.060	1.041	1.060	1.029	1.040

By Order of the Board
COFCO International Limited
QU Zhe
Managing Director

Beijing, 8 October 2006

As at the date of this announcement, our executive directors are Messrs. Ning Gaoning, Liu Fuchun, Qu Zhe, Xue Guoping, Liu Yongfu, Yu Xubo and Mak Chi Wing, William; our independent non-executive directors are Messrs. Stephen Edward Clark, Tan Man Kou and Yuen Tin Fan, Francis.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

Please also refer to the published version of this announcement in The Standard.